By the Editor of the New Leader

Socialism *for* To-day

By H. N. BRAILSFORD

A popular statement of the Socialist case against the present Order of Society, with a broadly constructive examination of the problems with which a Socialist Government will have to grapple, during the period of transition to Socialism.

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Socialism for To-Day

by

HENRY NOEL BRAILSFORD.

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PREFATORY NOTE

THIS book, which attempts to re-state the case for Socialism, is based upon articles which appeared in the *New Leader* during the early months of this year.

The articles have been revised and expanded, but my anxiety to produce the book at a price within the means of the manual worker, has limited its length. I must apologise both for the summary treatment of big questions, and for the excessive condensation of the matter.

Among contemporary books, I am under an obligation, on the constructive side, chiefly to *Stabilisation*, by E. M. H. Lloyd, and then to *Der Weg zum Socialismus*, by Otto Bauer; on the critical side I have learned most from the writings of J. A. Hobson and Mr. and Mrs. Webb. To three friends who have influenced my thinking, I owe a debt which it is a keen pleasure to acknowledge—Clifford Allen, E. F. Wise, and the writer who uses the pen-name "Realist."

October, 1925. H.N.B.

Socialism for To-Day.

CHAPTER I.

The Achievement of Capitalism.

THE London fog has blotted out the beauty and ugliness of the city's streets. Invisible are the glaring advertisements, and behind the blanket of wet smoke the glory of the Abbey is hidden. The yellow mist dims the eyes and corrodes the nostrils. By some trick of memory my senses call up another smell—the faint acrid odour of charcoal braziers, the aroma of coffee and the stall-keeper's roasted nuts, which always for me symbolise the East. I fly in imagination from this stifling horror of our industrial civilisation to the sunlit peace of a Turkish town.

The men in their manifold costumes of gay colours are strolling at their ease. Nothing goes on wheels, unless it be the creaking wain behind a buffalo team. Nothing hurries unless it be a horse and its rider, bent upon reaching some mountain village under the snow line, before the muezzin quavers his reminder that prayer is better than sleep. Beyond the poplar grove beside the clear stream at the city's gate, the white fields of poppies display their drowsy grace. The boy who dallies over my order in the coffee-house gently protests against my Western haste, and the inn-keeper who is to organise my travelling, staves me off with an easy-going "To-morrow." In this land it is always to-morrow and never to-day. I stroll through the bazaar. In each little shop and booth one leisurely

merchant, and only one, is standing and talking, endlessly talking, over coffee cups and cigarettes. There are embroideries for sale, which a pair of woman's hands have made with silk and gold, while the four seasons ran from one noisy Bairam feast to the next. There are carpets and shoes, pots and rugs which no machine has ever touched.

Musing, while I grope through the blinding fog, I ask myself, is it Islam that makes the difference between this Eastern world and ours? But again fancy turns to another land of bright skies and clear air, and I create for myself, amid the eddying mist and smoke, the picture of a little old-world town in the heart of Russia, with its icons and its gilded churches. Life moves at the same pace. There is but one motor-car in the whole province, and every horse shies at it, even when it breaks down and the driver repairs it with matches and string. There is the same unpunctuality, the same system of baksheesh and bribes, the same endless talk, the same individualism in crafts and trading. An influential politician breaks his appointment with me three days running; a notable novelist arrives six hours late.

My resentment at our fog has sent me dreaming of two lands which have never passed through capitalist discipline. In Russia one was conscious of the reason for the difference between West and East, for the transition has already begun. Foremen from Lancashire and engineers from Saxony have struggled painfully in factory and workshop to instil into men and women, who yesterday were peasants, the essentials of teamwork. On the railways superior officials have wrestled with the inveterate habits of unpunctuality and petty theft. For more than a century the army, with its Germanised drill, had striven to evoke whatever

capacity for organisation this nation may possess. Militarism could not do it. Spontaneously it has the sense for organisation in one field only: it dances punctually; it sings in time; it achieves in ballet and opera with harmonious feet, and voices that keep step, its one triumph of organisation. But no people ever dances enough to dance itself into order. For that, it seems, men need the training of the capitalist system.

THE enthusiasts of the capitalist system have taught us that competitive individualism is its ruling principle. They have been less than just to this complex creation of the human will. Two principles have struggled within it from the first. Of the two the more potent and the more permanent was the principle of organisation. Adam Smith, rather inadequately, called it the division of labour. Was it not rather the *integration* of labour, its organisation on an ever-growing scale, the co-ordination of multitudes of human minds and hands for co-operative work? The miracle which capitalism achieved was to take men and women, accustomed, as Turks and Russians still are, only to the individualistic work of the peasants' holding or hand-loom, and fuse them into a living organism, whose myriad hands and feet would move punctually together to a common purpose.

Read the records of administration, whether military or civilian, of the England of the Eighteenth Century: one might be in Turkey or Russia. There was the same slow pace, the same massive incompetence: every office was cumbered with the holders of sinecures: every place was sold, and every place-holder

unblushingly took bribes and commissions, even in the discharge of patriotic work. The morals of a Marlborough were those of any Turkish Pasha.

The change which has come over our entire national life, the speeding of the pace, the new intolerance of sloth and incapacity, the expectation that men will keep their appointments, observe office hours, and avoid petty dishonesty, began with the organisation of large-scale capitalist production. These are the habits of the factory, pulsing to the rhythm of a steam-engine, but they spread from factory to counting-house, and transformed in the end even the civil service and the universities. Man is not spontaneously a creature of order. Nature gave him the sympathies which incline him to unite with his fellows for a common end, but it was the capitalist system which first taught him the habits necessary for organised co-operation.

When we look back to-day upon the gigantic achievement of the capitalist system, we shall gravely err, if we see in its record only the new power of machinery and the working of competitive and acquisitive motives. It made with incomparable efficiency; it got with insatiable greed: but also it fused men into a co-operative mass, and created a new morality of orderly work. Its motives were still those of the plundering savage; it used science as its hired servant, and not as its guide; it vulgarised the skill of the craftsman; it ravaged our countryside and polluted our towns with its smoke; it pillaged the wealth of forest and mine, and made even of the plumage of tropical birds its murderous commerce; it depraved, as it expanded overseas, the morals and culture of simpler peoples; it enslaved the worker and exploited the child. Yet all the while its ever-growing power of organisation enabled it to multiply wealth and

population. Its energy tamed the seas and brought new continents under the plough. Our hatred of its ugliness and its cruelty must not stop our ears to the epic of its conquests.

The problem which the Twentieth Century has to face, in the light of this indisputable achievement, is to disentangle the working of these two contrary principles. Can we hold what is won and advance beyond it, by the principle of co-operation and large-scale organisation alone? Is it impossible to use all the power of science and machinery, save with the spur of competition and the motive of unlimited gain for the few? Historically the grasping, acquisitive phase may have been a necessary stage in our advance. But we shall find, as this inquiry proceeds, that the competitive motive grows steadily less important, while the power of co-operative organisation emerges more clearly from the history of capitalist enterprise as its creative principle.

Only one justification would suffice in the long run for the capitalist form of production. Can it show that it makes, as no other system can, for the general good? It must satisfy this test of social utility first of all by proof that it creates the greatest possible total of wealth for society. It must next justify its distribution of this wealth. Lastly, it must answer for the influence of its arrangements upon the freedom, the self-respect and the mental development of the people.

WHAT in outline is the system? It concentrates in few and ever fewer hands the ownership of land, machinery and credit. It excludes from the direction of these things both the workers who depend on the few owners for permission to work, and the

consumers who must purchase its products. It gradually divides society into a class of owners and a class of workers. It contrives that to the owners, a small minority of the population, there shall fall the major portion of the income derived from its immense co-operative processes.[1]

The owners, as it evolves, are gradually separated from their original function of organisation. They leave these tasks to salaried managers, while they themselves tend to become the passive recipients of tolls, tributes, rents, royalties and interest. Wealth, as the limited company replaces the old pioneering forms of enterprise, is steadily divorced from activity, enterprise, initiative and responsibility. The element of adventure, the gallant facing of risks by individuals, who staked their substance on the soundness of their own judgment, diminishes with each generation. The limited company reduces the risks of enterprise to modest proportions. The class of owners learns, moreover, to disperse its investments. A wealthy man, especially if he comes of a family which has accumulated riches for two or three generations, rarely depends on the success of any single enterprise. He draws his toll from many sources and from several countries, and counts securely upon reaping a constant average harvest.

[1] In a paper on the *Distribution of Capital in England and Wales*, presented in February, 1925, to the Manchester Statistical Society, Professor Henry Clay has shown that one per cent. of the adult persons in our population own 43.33 per cent. of the capital; 3.8 per cent. of the adult persons own 82.78 per cent. of the capital; while 96.2 per cent. of the adult persons have, each of them, less than £1,000, and 84.8 per cent. have, each of them, less than £100 of capital, inclusive of furniture, tools, and savings. Capital, he proves, "is much more concentrated" in this country than in any other.

With these changes the justification for the original system of capitalism, impressive though it was in its pioneering phase, grows progressively weaker. Wealth is no longer, even on a superficial view, the obvious reward of the enterprising superman, who drew it as the fruit of his personal skill in management, his power of organisation and his intelligent audacity in taking risks. In the early days, when masters often rose from the ranks, lived sparingly, and financed a growing business from resources which they personally controlled, there was some plausibility in the view that profits are the wages of abstinence practised in the accumulation of the capital. In our generation no one can hear that classical phrase without a smile. To-day in the balance-sheets of limited companies we watch capital accumulating impersonally and automatically, by the momentum of mere mass. New capital is created every year—millions of it—which no one has "saved." The bonus shares which drop periodically into the lap of the passive shareholder, have missed their destination, if, indeed, they be the reward of abstinence.

Step by step, as the large-scale business links up with others in agreements to maintain prices or limit output, and even more as these loose associations solidify into trusts and combines, the safeguard of competition vanishes also. It becomes ever harder to apply the central assumption of individualist economics, that in a free market the competition of the producers will ensure to the consumer the cheapest possible goods of the best quality. The free market constantly dwindles and the producers cease to compete. What in the end the advocate of the modern capitalist system has to justify is not competition at all (that is passing), nor the rate at which the class of owners assesses the

reward of its own abstinence and managerial ability, for on the whole it has ceased to manage and abstain.

What the advocate of private enterprise has to justify is the arrangement by which the ultimate government, and the greater part of the income derived from the immense co-operative organisation of modern capitalism, falls neither to managers, workers nor consumers, but to the passive owners of sites and plant.

He has to show (to put the same thing in another way) that the dictatorship of the capitalists, each pursuing his own private gain, does in some mystical way, without planning or purpose, work out for the common good. He has to show that this capitalist dictatorship works out for the common good more surely and steadily than any possible democracy of industry, directed by the actual managers, workers and consumers, consciously striving to promote the good of the greater number.

If he argues that only the hope of winning unlimited wealth will spur an able man to put forth all his energy in the organisation of production, he must somehow square this reading of human nature with the system of inheritance. For the effect of this system of inheritance is to relieve a large part of the class of owners from the necessity of making any personal effort whatever. No one disputes that the "self-made" man, whose energy helps to create a productive industry, does incidentally perform a public service. Yet our system of property ensures that his sons shall grow up with no incentive to repeat his activities. If the wish to "rise" and accumulate wealth were, indeed, the best spur to enterprise, one would suppose that each generation ought to start afresh, thanking its fathers not for inherited wealth, but for inherited aptitudes.

To defend the present system with success, the advocate of capitalism must fight on a wide front. He has to prove that on the whole the possession of wealth, its inheritance as well as its acquisition, does roughly correspond to social service. He must defend not only the factory and the limited company, but the system which combs out wealth by speculation from the fluctuating prices of stocks and shares, and the ups and downs of raw materials. He must discover the social utility of the ground landlord, drawing his toll from a city's growth. He must justify the wealth of the rural landlord, who raises his rents as cultivation improves, or prices rise. He must name the contribution to the common good of the idle owner of wayleaves and mining royalties, who, in the memory of men still living, drew from a ton of coal a tribute equal to the wage of the miner who hewed it. We can see, as we look around, no necessary or usual relation between skill, effort and public service on the one hand, and income and wealth on the other. Even in the humble ranks of the wage-earners the rate of wages is governed only in some degree by the skill or effort or risk which the work entails. "Sheltered" trades have a "pull" which the "unsheltered" trades cannot exert. Wages are relatively low in an overcrowded, and relatively high in an under-manned trade. The upper grades of salesmen in industry fare as a rule much better than the trained technical experts. It is not the usefulness of a man's work, nor his intellectual equipment, nor his expenditure of energy which dictate his reward, but, rather, the favourable tactical position in which he stands, and his ability to enforce his claim in the market.

The advocate of capitalism must next face the fact that great gains come, not from low prices and abund-

ance, but from high prices and a clamouring market. As he traces the doings of dealers and combines, he must show by what mysterious working of providence it is a social service that men should organise general scarcity, and reap its harvest in private wealth.

CHAPTER II.

From Competition to Combination.

BELIEF is the ultimate basis of every human institution. Students of the life of primitive man tell us that a sense of the sacredness of property was first implanted in the communistic islanders of the Pacific by secret societies. These societies met in the men's club-house of the tribe, and enhanced their prestige by the most alarming rites. They then propagated the belief that any rash person who touched another man's fruit tree would instantly be stricken by disease. The authority of kings and chiefs in early days was hedged about by the belief that it was perilous even to look upon them, or to encounter them upon the highway. Civilised men do not escape similar illusions: they too have their medicine-men and their organised societies, whose art it is, by propaganda and suggestion, to defend imperilled institutions, which have served their time. It is a grave mistake to suppose that capitalism rests solely on bayonets: its basis also is belief.

The opinion which more than any other sustains the capitalist system is the conviction that it makes for the interest of all of us in our capacity as consumers. The processes by which the peasant was separated from his strip of land, and whirled into an industrial town to tend a machine, do not command widespread admiration.

But, we are told, there are compensations. Competitive private enterprise ensures that multitudes of producers and retailers are for ever vieing for our custom, in a constant effort to anticipate and satisfy our wants. In his working life it may be the fate of

the labourer to receive orders and obey commands from boyhood to old age : across the counter he gives them, and as the phrase goes, "is served." Competition (it is said) ensures that prices can never for long together rise far above the costs of production : there is a steady rivalry, a perpetual application of intelligence to reduce them : only the fittest can survive in this emulation to serve : the inefficient go to the wall. The result (if we may believe the capitalist theory) is necessarily abundance at the lowest attainable price.

A network of parties, trading associations and newspapers is engaged in propagating this belief in the efficacy of competition. It is instilled into us with such persistency that it avails with the majority to counteract the evidence of daily experience. There are still millions who listen with acquiescence to the defence of the competitive system by the Liberal press and the Liberal party. Yet they must know that this press is mainly, and this party largely, financed by captains of industry who long ago discarded unrestricted competition. In the making of thread and soap, cocoa and chemicals, the great Liberal industrialists have found a more excellent way. In their own business they practise combination, but they still maintain an expensive organisation to sustain our belief in the virtues of competition. It is an intelligible form of insurance.

ON paper the theory that competition must result in cheap and abundant goods seems plausible. Even to-day, for a few articles, it may not be wholly false. But the most casual glance at the system as we all see it at work suggests a doubt. No one can have failed to reflect on the wastefulness of the system by

which competing dairies, bakers, and newsagents deliver milk, bread and newspapers, each serving one house in every four or five in a street, as compared with the system by which letters and parcels are delivered. A conservative official estimate has reckoned the preventible loss on milk alone from this system at seven and a half millions a year.[1] Advertisement adds a further sum to the cost of multitudes of common goods. An authoritative estimate by the President of the Incorporated Society of Advertisement Consultants [2] reckoned that before the war one hundred millions sterling were spent annually on advertising in this country, a sum greater than the value at that time (£80,000,000) of the net output of all the engineering industries, including shipbuilding and motor factories. In competitive trades every wholesale firm is obliged to maintain armies of travellers, whose business is not to add in any way to the service which the consumer receives, but to filch custom from rival firms. All these people, with the printers, artists, and transport workers who serve them, seem to be leading busy and laborious lives, yet they are living, no less than the idle rich, at the expense of productive workers The editor of the *Advertisers' Weekly* stated recently [3] that eighty wholesalers' travellers had been known to call on one retailer in two weeks, and an expert contributor in the same issue reckoned that when selling organisation develops to this point, the retail price, if it is to cover these expenses, must be

[1] See Linlithgow Commission's Report on Milk, Memorandum by Mr. Ashby, p. 93.

[2] Mr. Thomas Russell, quoted by Mr. and Mrs. Webb on p. 108 of *The Decay of Capitalist Civilisation.*

[3] December 12th, 1924.

fixed at four times the cost of production. It is now, indeed, generally recognised that where competition prevails, it costs more to sell an article than to make it. Competition may spur the rival manufacturers to reduce the costs of production, and especially the labour costs, to the lowest possible figure, but it also stimulates them to spend the maximum upon marketing. If the article is a necessity which the public must have at any cost, the price may be swollen almost indefinitely. So far, indeed, is competition from making for cheapness, that one may even say, with Mr. and Mrs. Webb, that the keener the competition, the higher will be the price.

THIS fierce and costly competition ought, one would suppose, to eliminate the inefficient. To some extent that may happen, but one is constantly amazed by evidence which shows how far producers may fall below the higher levels of efficiency in their trade and yet continue to make profits and survive. It was found when an accurate costings system was applied by the Government during the war that the cost of converting a sack of flour into bread varied from 8s. per sack in an up-to-date bakery to 25s. and even more per sack in inefficient bakeries. The spinning of worsted yarn at the same price was found to yield 2d. per lb. in profit to one firm and 9d. per lb. to another.[4] According to Victorian economics, in both these cases the efficient producers ought to drive their inefficient competitors out of business, by lowering the price of bread and yarn : evidently that does

[4] See *Experiments in State Control*, by E. M. H. Lloyd, p. 327.

not happen : the efficient firms prefer to maintain high prices and reap high profits.

There is no reason to suppose that these illustrations of varying efficiency are exceptional. In 1921 the Federated American Engineering Societies appointed a Committee on the Elimination of Waste in Industry, which employed eighty engineers to examine 125 different plants, while a further 103 plants furnished information. The variations between the best and the worst plants were found to be enormous. In the boot trade the best firms were found to be three times as successful as the average firm in eliminating preventible waste : in the metal trade the difference was even greater, for the average firm wasted $4\frac{1}{2}$ units where the best firms wasted only one : the building and textile trades showed more uniformity.[5]

The Report of the Industrial Fatigue Research Board on the British iron and steel industry insists that "efficiency does vary enormously in different works." [6] Only 18 per cent. of the furnaces inspected possessed mechanical means for charging. In this case even the fierce competition of the admirably equipped plants of Lorraine and the Saar had failed to impose efficiency on the owners of British plants. What is true of engineering, with its large numbers of small scale businesses, its lack of specialisation and its frequently obsolete plant, is manifestly true also of agriculture. The unfit and the unteachable survive among farmers in distressingly large numbers. No one would point to farming as an illustration of the happy effects of small scale competitive production.

[5] Tables quoted in the *Waste of Capitalism*, p. 112. (Labour Joint Publications Department.)

[6] Quoted also in the same most useful publication, p. 35.

COMPETITION, however, is no longer the rule in the producing trades. The system by which competition is arrested, output limited and prices regulated by agreements, more or less formal, is already common and is visibly spreading. The Committee on Trusts enumerated thirty-five associations which regulate prices and output in the iron and steel industry alone, and nine in the non-ferrous metal industries. The electrical industry, the chemical industry, and, of course, the makers of building materials, are all closely organised, and many price-fixing associations are at work in the textile and kindred trades. In every case these associations aim at maintaining prices. The effect of high prices is, of course, automatically to restrict output. But the more highly-developed of these associations, which include the producers of light castings, pipes, tiles, metal bedsteads, matches, nails, electric lamps and glass bottles, are not content to rely on the automatic effect of high prices. They explicitly restrict output, fix the quantity of goods which each member of the association may produce annually, fine a member who exceeds his allowance, and from these fines pay a bonus to members who fall short of their allotted figure. In plain words, members are rewarded for not producing. The whole art of these associations is, by creating dearth, to compel prices to rise. They make a scarcity and find it wealth.

It is unnecessary to trace the natural history of combinations in detail. The shipping rings and pools fix freights on nearly every route. Everyone is aware of the soap and tobacco trusts, the thread combine, and United Dairies. Nameless groups and "rings" of dealers, as the Linlithgow reports tell us, infest country markets and prey upon the farmer before they loot the consumer. Fish is controlled by a notorious ring. The

boot trade is tied to the makers of its machinery. The cocoa firms map out the country into reserved areas. Nor do you attain freedom by sticking to old-fashioned drinks, for brewers achieve the same end by "tieing" public-houses. There are a dozen ways of escaping from competition.

The price-fixing associations represent the inevitable effort of the producer to escape from the ruinous waste and insecurity of competition. They stand midway in the process of evolution from competition to the Trust, but these cases of arrested development are probably more harmful to the consumers' interests than either of the extremes. A Trust may effect immense economies in its buying and selling organisations; it pools ideas and inventions; it suppresses inefficient and redundant plant; it need spend nothing on competitive advertisements; it achieves all the economies of large-scale production. A price-fixing association does none of these things. Production, buying and selling still go on in a multitude of small concerns. The price of their produce is fixed inevitably at the figure which will enable the least efficient plant and the least enterprising management to make a profit. It is a conspiracy which enables the unfit to survive.

The most notorious cases of its working are to be found in the tea and the rubber trades. The Indian tea growers restricted their output in 1920 to 85 per cent. of the average of the five previous years, raised retail prices by 4d. to 6d. per lb., and saw their average declared dividends rise at once from 9 to 19 per cent., while cases of dividends as high as 60 per cent. have since occurred. Rubber under similar manipulations rose from 6d. to 1s. 4d. per lb., and some estates

restricted their output by as much as 40 or even 50 per cent.[7]

For the productive Trust, which actually makes the commodity in which it deals, a partial defence is possible. It represents an immense progress in method, and though it may reap a gigantic harvest from monopoly [8] it may sell as cheaply as competitive small-scale businesses could do. The case against it is not necessarily that it robs the public. It offends rather by its terrific and uncontrollable concentration of power in a few irresponsible hands.

But not all the big combines are of this type. Some of them typify the growing power of commerce over industry. The wholesaler who can achieve even a partial monopoly plants himself, like a highwayman, who understands the tactics of his profession, across the road which all commodities must traverse, and for a moderate measure of service levies a heavy toll on producer and consumer alike. The Milk Combine does not produce milk, nor does it itself retail it (though it may control some companies which do); it deals with milk in transit between the farmer and the retailer. The Standard Oil Trust is to some extent a producer and to a greater extent a refiner, but its real power rests on its ownership of the pipe lines and other marketing facilities which other producers and refiners must use. The American Meat Trust, now firmly entrenched in this country through subsidiary British companies which it controls, also is of this type. The Federal Commission which reported on its structure in 1918 concluded its investigations thus :—

[7] See company reports quoted in *The Waste of Capitalism*, p. 28.

[8] Five of the heads of the Coats Combine died in recent years and left between them fortunes totalling £12,000,000.

As we have followed these five great corporations through their amazing and devious ramifications . . . we have been able to trace back to its source the great power which has made possible their growth. We have found that it is not so much the means of production and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution.

In some conditions it is the commercial and selling organisation which dominates the producer. In others, notably in Germany, it is the great banks (which there supply permanent capital) which seem to wield the chief power, by penetrating industry in every direction, by nominating directors and linking up once independent concerns. In both these types of combination the supreme power and the ability to levy tolls go to the factor which renders the minimum of active service.

WE have considered so far only the consumer's interests. Let us now glance at the fate of the producer. Competition, wherever it survives, can have only one effect upon money wages. The perpetual effort to reduce the costs of production forces the employer to buy labour at the lowest possible price. Wherever competition rages, whether among employers in the same country or between the rival industries of different countries, it tends to force wages downwards. Trade Unions may battle against this tendency, but if an employer can persuade them that their demands will result in the loss of contracts to German or other competitors, who pay wages on a lower scale, there comes a point (if there is a risk of unemployment) when even a militant Trade Union must moderate its claims.

When orthodox economists are confronted with this tendency of competition to reduce wages to a bare

subsistence level, they make a reply which is theoretically plausible. "Money wages," they answer, "may be forced down by this process, but as goods are cheapened by competition, the purchasing power of wages tends constantly to rise. The worker with his lower wages can really buy more than he bought before." It is easy to expose the fallacy of this answer, when we attempt to apply it to present conditions. The competition is partial and uneven. It rages in a few industries: it has been totally banished from others. Again, as we have seen, in many instances where it survives, it lowers wages without lowering the cost of the product. Everything that is gained by reducing costs of production (including wages) is lost by the rising costs of the selling organisations. The competing firms may cut wages, but they dare not cut their expenditure on advertisements or on travellers.

The result is that a worker in an exposed trade finds that competition reduces not merely his nominal wages, but his real wages, for when he comes to spend them he has to pay the prices which sheltered and non-competitive trades are able to extort. The miner, working for an employer who is struggling to export coal against the competition of the Ruhr coalfield, where wages, at the moment, are about half his own, is the typical victim of this system. He must sell his coal at competitive prices. Yet when he buys house-room, or milk or meat or clothing, he is dealing with sheltered trades in which a network of price-rings have conspired (as it were) to reduce the real value of his wages. The present transitional phase of industry, with its mixture of competition and combination, is producing a chaos which must soon become intolerable. On the men in the exposed trades, especially

the miners, the engineers, and the agricultural workers, it falls with flagrant cruelty and bitter injustice.

The belief which sustains the capitalist system, that it does on the whole, by the working of the competitive motive, guarantee the interest of the consumer, rests, in short, upon a dying myth. Competition, in the few fields where it survives, does not always ensure cheap goods, nor does it obviously weed out the unfit. The producer is in fact escaping from it very rapidly through associations which base prices on the costs of their least efficient members. Efficiency is attained in the end at the cost of the last vestiges of freedom, only in the fully developed producers' combine. Thus the internal struggle within the competitive system, between its two original principles of competition and organisation, is ending in favour of organisation. But the master of its organisations is never the worker nor yet the consumer : from first to last, the master is always the man or the group in control of financial power.

CHAPTER III.

Is Democracy Possible Under Capitalism?

TO inquire whether democracy is attainable under the capitalist system involves an assault upon deeply-rooted beliefs. Most Englishmen believe that democracy has been won. Our ears echo to Tennyson's lines, and to the countless perorations of Liberal orators who have celebrated the achievement of freedom in the Victorian age. It is the commonplace of history that the system which we call political democracy was in fact the conquest of the industrial era. Every schoolboy knows that when once the manufacturers had extorted from the feudal masters of England a share of political power for themselves, the rivalries and fears of these two sections of the ruling class brought about the gradual concession of the suffrage to the workers, and with it of the right of combination. Our notion of the meaning of freedom has undergone, meanwhile, a salutary, though partial, change. We are leaving behind us the anarchism of the early Nineteenth Century, which held that each man must be free to do as he will with his own. That anti-social individualism made the horrors of the unregulated factory, ruled the mine in which women were the beasts of burden and children the basis of profit, and built the slums which reeked with pestilence and gaol fever.

Since the middle of the last century perpetual interference with the autocracy of masters and owners, continual regulation by the general will for the general good, has become our habit. The State and the Municipality stand outside industry and over the landlord as an external power. The Trade Union, when it bargains or strikes, is no less an outside force, invading

the province of the masters, limiting and infringing their empire over their employees, yet never superseding it. All this is not freedom, for it is not self-determination. The community does not manage industry or land; it merely infringes somewhat the freedom of private managers. It is only in a simple and primitive society that freedom can mean the absence of restraint. As society grows more complex and industry more highly organised, we must advance to a new conception. Freedom and democracy, as we conceive it, should mean the right of all the members of a community, by discussion and vote, to shape and govern their own lives. We succeed at present, by incessant interferences and inspections from outside, with constant friction, irritation and struggle, only in checking some of the grosser abuses of autocratic ownership.[1]

[1] Mr. Lloyd George has a rollicking speech, which he delivers at fairly frequent intervals, in which he declares that Socialists are the enemies of freedom. This curious charge is pressed home by a description of the Socialist State teeming with its inquisitors and inspectors. The fact is, of course, that inspection is necessary to-day to protect the workers and the consumers, precisely because industry is governed by the pursuit of private gain. In the early days of the capitalist system private enterprise was left to run its mines and factories, to build its houses, and to put its foodstuffs on the market with no check whatever, and it took full advantage of its freedom. The results were so terrible that public opinion (long before Socialists were organised) insisted on inspecting factories and mines, laid down standards of sanitation and overcrowding for owners of house property, and concerned itself with the adulteration of food. Inspection from outside is not the Socialist remedy, though we join in demanding it so long as factories are conducted and houses built for private gain. Our remedy is to place the running of mines and the building and letting of houses in the hands of those who will have no profiteer's motive for neglecting the miners' safety and the tenants' health. In our scheme the miners themselves will have power to insist that precautions for safety are observed. The Municipality will protect the tenants who elect it, by itself building healthy houses. Socialism (which means self-government and democracy) will, in fact, remove the need for all this inspection from outside.

The root of the evil remains. Private ownership of machinery, subject though it be to the Factory Acts and the check of Trade Unionism, still leaves to a small directing class the right to decide how, and what, and in what measure, it will permit the workers to produce. This directing class prescribes the policy of each industry. It decides whether the factory or workshop shall join a ring for the limitation of output. It chooses scarcity or abundance. It provides and limits or refuses work. Above all, when it has bought its labour in the market, it is free to assign to itself, in unlimited measure, the entire surplus of production and trading. It wields economic power by its control of land and capital. It perpetually adds to its own economic power, by its ability to manipulate prices and organise industry for the production of its profits.

BY this concentration of economic power in relatively few hands, the promise of political democracy is thwarted. The checks which the owners of wealth can impose on the masses are as subtle as they are powerful. The disability of poverty works, first of all, in a society where any high degree of education must be bought, by condemning the majority to comparative ignorance, and thwarting the development of their intellectual powers. Upon this uneducated or half-educated mass the prestige of economic power exerts a paralysing and enslaving pressure. Intimidation and so-called charity play their part in the sparsely-peopled rural areas, where the employer is often the owner of tied cottages. He knows the opinions of his men and can deal with them as lonely individuals. In villages, and even in towns, the worker instinctively reckons that it is not only

safer, but also wiser, to vote for the rich man's party: they are "the people who have work to give." It has happened in my own experience that the rumour has run through a little town that a group of mills would be closed down if the Labour candidate should be elected.

Since the concession to the masses of a bare pittance of education there has grown up a popular syndicated Press, owned by a few great capitalists, and conducted for the defence of the system under which they thrive.[2] Not merely by the opinions which it expresses editorially, but still more by its art in selecting and colouring news, it upholds the existing order and checks every movement making for radical change. It contrives, by attacking minor abuses and unpopular offenders, to win for itself some repute as a tribune of the people, but by directing the vague unrest of its readers into these skirmishes, it distracts their thoughts from the main battle.

By its gossip, its fiction and its pictures it reinforces the prestige of wealth. A bare line of news can suggest the meaning of economic power. I was passing one evening the electric sky-sign over a roof in Whitehall which summarises the events of the day. In letters of fire I read that a Mr. Rockefeller had arrived in London—that and no more. One felt the valuation of life and men which sent this signal flashing over the crowded life below.

The capital required for the gathering and publica-

[2] The greater part of it is controlled by Lord Rothermere and Lord Beaverbrook, each of whom holds shares in the other's company. Then come the papers under the Berry Brothers and the Cowdray-Rowntree combination. These directors of the press are at the same time owners of other great capitalistic concerns, which range from the Berry coal mines, the Cowdray oil-wells and the Rothermere paper works to the Liberal industry of cocoa.

tion of the day's news about commerce, sport, and politics is to-day so enormous, and the risk of failure so great, that only a very wealthy man can provide it. One Labour daily at last struggles against the whole phalanx of morning, evening, and Sunday papers, one and no more in all Great Britain, Economic power dominates the Press, not merely by ownership, but also by its ability to control advertisements. Socialist and even Radical papers are here at a disadvantage. Advertisers can make it risky to express opinions of which as a class they disapprove. I have heard an advertisement manager say that a certain leader-writer's articles had lost to his paper (a Liberal daily) thousands of pounds worth of advertisements.

Day by day, and year by year, this Press supplies to us its coloured picture of the world. It is the eye and the ear through which we derive most of the material for our views of life and society. It weaves our thoughts for us as a loom weaves cotton. Economic power dictates the pattern. It buys opinion and rations thought. True political democracy is barely possible in a society which tolerates great inequalities of wealth. We do not possess this genuine democracy to-day: at best we struggle towards it under these handicaps of poverty and ignorance.

BUT even in the State of to-day, with all its manifold interferences with the management of property and the conduct of industry, vast ranges of our daily life escape from democracy. In these regions, if there is freedom, it is only for the few who direct on behalf of the owners. The Liberal philosophy, facing this fact, excuses it with a dogma which to us seems naked materialism. It is more important, we

are told, that we should enjoy economic freedom as consumers than as producers. This freedom which we are supposed to enjoy as consumers in virtue of competition, is largely a mirage, and where it survives it is, as we have seen, the most prolific cause of wasted labour. But to us it seems a poor thing that we should have the choice of buying some of our goods at competitive prices to-day from Mr. Selfridge and to-morrow from Mr. Whiteley, if self-determination is denied to us in our active life as producers. It is this life which absorbs most of our energies; here, if anywhere, we create; here we ought to realise ourselves.

Yet to multitudes of workers even that elementary exercise of freedom is denied, which consists in choosing whether they shall be honest craftsmen. It is the management and not the workers which decides whether the product shall be shoddy or genuine, tasteful or ugly, adulterated or pure. A carpenter who works for a jerry-builder, a journalist who writes for one of the Peers of the Press, a shop-assistant under a tricky grocer can obey his conscience as craftsman and citizen, only if he is a man of such exceptional ability that he can always obtain work on his own terms. When he sells his labour, the worker must surrender all right to influence the character of the product, all right to express and realise himself in his work.

It is true that in certain matters, where the evil is gross enough to attract the notice of a Factory Inspector, or to induce a Trade Union to make it a fighting issue, the worker has some power to influence the daily conditions of his work on which comfort, health and self-respect depend. In these matters he is not wholly defenceless. It is on the larger issues of policy that his complete impotence is most evident.

When the rubber plantations decided to restrict output in order to raise prices, there was some criticism from the consumers' side. But this decision must also have meant unemployment, in one degree or another, through an immense number of industries which use rubber. Yet neither the Malay workers on the plantations, nor the English workers in the factories, had the right to be consulted. In most industries, and at every phase of a trade cycle, the key to policy lies in the choice between producing large quantities at a low price, or small quantities at a high price. The latter policy may often seem, and even be, the sounder when profit is the sole end in view. Yet it means a restriction of the world's wealth, and necessarily it involves some degree of unemployment for the workers in the industry. The consumer goes short, and the producer goes idle. Yet, as we have seen, the whole tendency of modern industry is towards rings and associations which aim at high prices. In such decisions of policy the workers have no say. The entire home-life of Lancashire, for example, hangs upon them. But with all our democracy, it is not the men and women who spin and weave, who decide whether the industry shall aim at limited output with high prices, or at large output with low prices. Yet high prices mean short-time, and with short-time privation in every cottage.

THE experience of the last trade slump has taught us, moreover, that the credit policy of the banks may be of all causes of unemployment the most potent. It was no impersonal economic law, no cause beyond human control which made the last long crisis. It followed the joint decision, towards the end of 1920,

of the American Federal Reserve Board and the Bank of England to deflate drastically, or in other words to restrict credit by raising its price and lessening its volume. This was done in the hope of raising the exchange value of the pound, and restoring the gold standard. The Bank rate was violently raised; bankers called in their loans, and prices fell as everyone rushed to realise their stocks to meet their liabilities. And presently, understanding nothing of the cause, and caring not at all whether the pound looked the dollar in the face, two million workers were tramping the streets in the vain search for work. It was a deliberate act of policy, a decision taken by a few bankers responsible only to their shareholders, which brought this fate upon masses of labouring men. Many a war has been less disastrous, many a pestilence less deadly. In all the years from the end of the great war until this day, not all the enactments of Parliament taken together have altered the daily lives of working men and women so profoundly as this one decision of a handful of bankers to "deflate." In raising the bank-rate they influenced birth rate and death rate as well: they altered the very pulse of our life. Yet none of the millions concerned had, through their elected representatives, the power to question their decision. The Bank has no responsibility to Parliament. The name for this state of things is not democracy.

Under this system the masses of the nation do not govern, and cannot order their own lives. We are the servants of a small directing class, which, through its command of machinery, its monopoly of land, its manipulation of prices, its sovereign mastery over credit, and its control of the Press, fixes for us the framework and conditions of our daily existence. This concentration of economic power in a few hands is the

root of the evil. The poverty and the ignorance of the workers are the consequences of this central evil. The main purpose of Socialism must be the conquest for the whole community of economic power. Without that there can be but a shadow of freedom, for without it we cannot control our own lives.

We are resolved in our tactics to give no excuse for violence : the preaching of hatred can only confuse men's minds and retard our success. But when this is said, we delude ourselves if we fail to realise that we are engaged in the most formidable class-struggle which history has ever witnessed. It is a struggle for economic power between the many who do productive work and the few who exercise the authority which ownership confers. It cannot end until this usurping class has been dispossessed by the transference of its capital to the community. The struggle cannot be avoided, but victory will mean, not merely the triumph of one class over another, but the abolition of class itself.

CHAPTER IV.

The Third Nettle.

TO make two blades of grass grow where one grew before, is an ancient dream of mankind. Professor William Somerville, after prolonged and extensive experiment, has proved that the thing can be done both cheaply and simply.[1] The farmer has only to spread half a ton of basic slag, a cheap artificial manure, on an acre of the poorest pasture, and he may reckon on raising from it about four times the weight of meat which it was yielding before. The prospect seems attractive, but imagine that every farmer in England had the enterprise to follow this admirable scientific advice. The first consequence, in a capitalist society, would be that the price of basic slag would rise sharply, though it would cost no more to produce than before. The farmer would pay more for the fertiliser, but he would also receive less for his meat and his milk. If the result were, not to quadruple, but only to double the production of meat and milk, an unprecedented slump in prices would soon draw from agriculture a cry of ruin. It is doubtful whether the poorer grades of the labouring masses, underfed though they may be, could afford to buy, even at much lower prices, all the cheap meat and milk which might with ease be produced.

With all its marvels of science and organisation, the industrial age is perpetually presenting us with puzzles of this kind. Its power to produce seems limitless. It performs, in turning wool and leather into cloth and boots, miracles which are much more astonishing than

[1] See his article in the *Times* of February 2nd, 1925.

the magic of the slag among the clover, yet the results in increasing the general level of the people's comfort seem meagre and disappointing. It dare not give full rein to all the power of its manures and its machines. But is it really bent on making an abundance of goods? Is not its aim, rather, great profits? Profits may depend on the high prices which only some degree of scarcity can ensure. Industry, in short, is producing, as Socialists put it, for profit and not for use. At moments we realise that the machinery is out of gear. It is a sober fact that during the trade slump, which began in 1920, some electric generating stations in the Western States were burning wheat, while locomotives in the Argentine used maize. Yet this was the period of actual hunger in Europe, and famine was raging in Russia. Under-production, we suspect, is really in one degree or another the normal condition of the world under the capitalist system. It habitually produces much less than science and machinery would enable it to produce, and very much less than the masses need. They lack what economists call an "effective demand." In plain words, they cannot buy what might with ease be produced.

When the spokesmen of the capitalist parties reply that the responsibility for some part of this under-production lies at Labour's door, candour requires us to admit that in some industries there may be some truth in the charge. The worker in his turn does not dare to make the fullest use of his productive powers. The spectre of unemployment haunts him, and by various customs and restrictions, Unionism in some trades seeks to limit the work which a man may perform. On both sides there is a policy of "ca' canny" : the employer fears that abundance would mean low prices and low profits : the worker instinctively feels

that the demand for labour is limited, and that high production will mean in the long run less work. The incentive of gain does not in fact achieve what the capitalist view of life claims for it. It does not spur the whole army of industry, captains and men, to co-operate in the effort to raise the sum of the world's goods to the highest possible total.

STATISTICIANS have in recent years confronted us with the fact that the total sum of goods and services produced in our country in each year is a depressingly modest figure. Professor Bowley, working on pre-war figures, after providing for national expenses and the necessary replacement of wasted capital, reckoned that "only £200 to £250 millions remain, which on the extremest reckoning can have been spent out of home-produced income by the rich or moderately well-off, on anything of the nature of luxury." [2] This sum, he points out, if divided up, would do little more than raise the wages of adult men and women to the minimum of 35s. 3d. weekly for a man and 20s. for a woman, which Mr. Rowntree on the basis of pre-war prices had estimated as reasonable. This startling calculation measures the failure of the existing system to provide for our whole population a tolerable standard of comfort. The goods which it actually produces would only just suffice, with clever management, to maintain us all, with none of the refinements of life, in physical health and efficiency.

The figures are instructive in another way. We may measure this figure of £200 or £250 millions, which

[2] *The Division of the Product of Industry*, p. 49. Professor Marshall had, however, estimated the expenditure of the middle and upper class on luxuries at £400 millions.

represents the luxury expenditure of the leisured and middle class, by comparing it with the total of £344 millions which Dr. Bowley reckoned as the pre-war total of wages in the manufacturing industries and mines. By that standard of comparison it looms up as a gigantic figure. *The well-to-do are spending on luxury a sum which amounts to two-thirds of the entire income of the wage-earning masses.* The leisured class is able to enjoy its refinements of culture and its vulgarities of display, only at the expense of the mass which must live below the Rowntree minimum. The national income is distributed with such gross inequality that the rich can enjoy their superfluities only if the poor dispense with necessities. The total national income in not high enough to justify indulgence in any class. If some wear fur coats, others must be content with rags. If some dine at the Ritz, others must go hungry.

Carlyle summed up long ago, in one biting sentence, all that the statisticians with their laboured reckonings have since established :

> The widow is gathering nettles for her children's dinner : a perfumed seigneur, delicately lounging in the *Oeil de bœuf*, has an alchemy whereby he will extract from her the third nettle, and name it Rent and Law.

Carlyle was mathematically accurate. The proportions have not altered. Dr. Bowley's conclusion is, that of the product of industry in manufacture and mining, 58 per cent. goes to the wage-earners, 10 per cent. to the salaried class, and 32 *per cent. in rents, royalties, interests and profits.* The third nettle is still extracted by the alchemy of "rent and law," which is the basis of a leisured class. It is this fundamental fact of the ownership of land and machinery by the few which gives a meaning to the analyses which economists

make from year to year of the income-tax figures. On the eve of the war one-half of all the goods and services which went to make up the nation's means of life, were taken by one-ninth of the population.

These contrasts are so familiar that they hardly stir us, though they confront us in furs and rags, in slums and mansions in all our daily walks. We talk of a housing problem: what is it but a phase of this alchemy of "Rent and Law"? It is because that third has been extracted from the product of industry, that London herds 683,500 souls into houses where more than two are crowded into every single room. It is because the owners of the machines and the land, after they have bought their labour at the market price, may assign to themselves the whole surplus of industry, that in London 147,800 families (thirteen in every hundred) must eat and sleep and bear their children in a single room. It is because one-ninth of the nation secures for itself one-half of its income, that five out of every eight recruits are rejected, because they fall below the physical standards of the army.

This leisured class, which lives by owning, offends against social morals by its very existence. It contributes nothing to the pool of wealth from which it draws its tribute. Only a minute portion of it justifies its existence by doing useful unpaid work for scholarship, science or the arts. Those who enter public life are busied for the most part in defending the privileges of their class. In the main this leisured class occupies itself in a round of incessant sports and amusements. Its idleness demoralises not only its own members, but a host of satellites and imitators on its fringe. It lowers the respect for productive work, and debases by its idleness and profusion all our standards of social conduct.

THE retort is made, when we pursue this line of thought, that we are materialists, inculcating a habit of envy. In fact, it is usually those of us who have lived all our lives in comfortable and decent conditions, who feel the inhumanity of these contrasts most strongly. The submerged are usually broken to their fate. But let us vary the criticism and test it on the higher ground of intellectual values. Our prosperous class, living on "the third nettle," repeats the history of every previous civilisation. Athens could find time to write immortal speculations on the nature of justice, because a slave population dug silver for it from the mines of Laurium. Analyse our own population, and it is broadly true that only among the ninth who enjoy between them one-half of the national income, will you find any high degree of culture. Outside this ninth of the population you will not find very many who have the means to buy books, or the leisure and knowledge to enjoy them. Almost exclusively, even in the cheaper seats, it is the middle class which fills the concert halls at which good music is performed. Rarely at any show of modern paintings does one see a visitor who looks like a manual worker. The taste, the patronage, the interest and excitement which stimulate artists and musicians, poets and scientists to produce, come almost exclusively from this comfortable class.

Those exceptional men and women among the manual workers who, thanks to free libraries and popular classes, have painfully acquired some taste for these intellectual pleasures, are still a minute minority. Struggle as they may, it is only in the rarest cases, where stubborn character is mated with exceptional refinement, that they can acquire that sensitiveness of ear and eye, that familiarity with exact and expressive language, which a child born of parents of the profes-

sional class begins to acquire even before it can read. What we all know from our daily observation is now established with all the parade of statistical science. A publication of the Medical Research Council (Special Report series, No. 74) has measured the chances, for each child as it comes into the world, that it will reach any high level of intelligence. This report solemnly proves for us, by the most elaborate mathematical reckoning, after minute observations in London schools, that the intelligence of children varies with "the economic position of their parents." This is more than a broad generalisation, which tells us that the children of the well-to-do are more likely to be intelligent than the children of the poor. Intelligence, as these careful tests showed, varies within the working-class itself according to much finer gradations. The artisan's child has a better chance than the labourer's child. Poverty means, in short, not only starvation, but the stunting of the mind.[3]

[3] In the winter of 1903-4, an enquiry was conducted in three districts of Glasgow (Cowcaddens, Calton and Gorbals) into the physique of school children (for full details, see the Journal of the Royal Sanitary Institute, Glasgow Congress, 1904). The children were classified according to the size of the dwelling which they inhabited (one, two or three rooms): their physical and mental condition revealed the advantage which the relatively more prosperous enjoy.

Size of House in Rooms	Death rate per 1,000 Living	Mean Height in Inches	Mean Weight in Pounds
1	33	47.7	52.9
2	21	49.3	56.6
3	11	50.8	59.6

State of Nutrition.			Mental Capacity.			
Stout	Medium	Thin	Excellent	Good	Medium	Dull
%	%	%	%	%	%	%
—	80.0	20.0	6.6	26.6	26.6	39.9
4.9	77.2	14.9	16.6	45.4	31.2	6.6
10.5	74.5	14.9	17.5	49.1	28.0	5.2

Our system of "Rent and Law" prescribes that the majority must grow up deaf to music and blind to beauty, with its intelligence unfitted to acquire the inheritance which falls to it from history. What Shakespeare and Beethoven gave to mankind, this ninth part of the population has usurped. It takes for itself, with 32 per cent. of the product of industry, all the wisdom of the philosophers and the music of the poets. It forbids the masses, by its division of wealth, to rise to their full stature as human beings.

Twenty years before the French Revolution, Turgot proposed to set up a system of universal education in France, and declared that with it he would transform the nation in ten years. Condorcet, before the Revolutionary Terror began, drafted the first law of compulsory schooling, with an elaborate "ladder" and a system of free scholarships. Nearly a century passed

An enquiry into the comparative intelligence of North London school children was made in 1925 (see Report of the Education Committee of the London County Council on Elementary Education in North London, dated 1st April, 1925). An inspector set an easy test-paper of 100 questions in general knowledge to the children in two schools of extreme types. The average marks gained by the boys out of a possible 100, were as follows :—

Age	11	12	13	14
Marks gained in school fortunately situated ...	43	41	49	66
Marks gained in the other school	7	14	17	21

In arithmetic the disparity was less marked as the children grew older :—

Age	11	12	13	14
Marks in fortunate school ...	45	48	54	65
Marks in other school ...	23	31	35	43

The report explains this disparity by suggesting that the general knowledge test showed the "joint effect of heredity and environment," whereas in the arithmetic test, school training "tended to compensate for the defects of the home." The results in the case of girls were in both tests similar.

before England adopted the first rough outline of what the philosophers had planned. What stood in the way, save the jealousy of privilege, and the instincts of the exploiter?

Even to-day this governing class, which spends its £200 millions in luxury, grudges the effort and the expenditure which might in a generation lift the whole child population to the level of the favoured ninth. If it is "the economic position of their parents" which hinders the children of the poor from attaining the full intellectual stature of humanity, there are plainly only two ways of overcoming the disadvantages under which they labour. One is to raise wages, to improve housing, and transform in the home the conditions under which these children grow up. That remedy would work slowly. A Socialist State would supplement it by a swifter method. It would take these children from the poorest homes, place them in nursery schools, and give them, at every stage of their growth, the physical and intellectual environment which middle-class children enjoy. But the State of to-day lacks the will to make this experiment even in a modest way. It values the enjoyment of the few too highly to concern itself with the needs of the many. It cherishes its profits and rents, and neglects its human capital. "The country," even Mr. Garvin could write the other day, "*is unable to spend too much on too many.*" [4] In the capitalist paradise there are still flaming swords to guard the tree of knowledge.

[4] *Observer*, January 11th, 1925.

CHAPTER V.

The Dreadnought and the Slum.

WHEN Socialists propose that the nation should itself organise and conduct the import of its foodstuffs and raw materials, our opponents reply that this system would create ill-feeling between peoples, and might even lead to war. The objection is far-fetched, but it is none the less interesting, because of its underlying assumption, that the intervention of the State in certain processes of international trade might be a cause of war. One might suppose that the State has hitherto held aloof from everything of the kind. The fact is, of course, that it habitually intervenes to support British capitalists in their dealings with foreign States, that it uses all the prestige of diplomacy in the process, and may in the last resort apply armed pressure. It does this, moreover, not in the interests of the mass of British citizens, but on behalf of small groups of investors. The whole resources of the State are placed, in short, at the disposal of private enterprise. In the rivalries which result between the leading capitalist States, lies the main cause of armaments and war in the modern world.

Capitalist enterprise in its early stages, when British contractors were building railways, first on the European Continent and then in the United States, seldom required the support of diplomacy. Only when they went farther afield, and began to deal with more primitive countries, like Turkey, Egypt or China, did the diplomatist take his stand behind them—with the fleet in the offing. A few days before the outbreak of the Great War, Sir Edward Grey for the first time defined in public (House of Commons, July 10th, 1914) what

had for many years been the secret practice of the Foreign Office :—

> I regard it as our duty, wherever *bona-fide* British capital is forthcoming in any part of the world, and is applying for concessions to which there are no valid political objections, that we should give it the utmost support we can, and endeavour to convince the foreign Government concerned that it is to its interest as well as our own to give the concessions for railways and so forth to British firms, who carry them out at reasonable prices and in the best possible way.

The Foreign Ministers of other Great Powers interpreted their "duty" in the same way, and felt the same touching confidence in the capitalists whose ambitions they promoted. The result was that, for a generation before the war, Constantinople, Pekin and Teheran were centres of intrigue, in which the financiers and diplomatists of all the Great Powers, in the closest association, cajoled and bribed and bullied, formed their cliques, hired their partisans, scrambled for loans and concessions, competed in selling armaments and railways and in buying oil-wells and mines, and carried their competition from the field of business to the world of high politics. Should the "heavy industry" of Germany or of France dig iron-ore in Morocco in order to lay it down in the form of steel-rails on the road to Bagdad?—that in one concrete illustration was the question which set all Europe arming in two allied camps.

Sometimes the rivalry was checked in one region by an arrangement, fatal to the liberties of its population, to divide it into spheres of influence. Tropical Africa was in the end partitioned peacefully : Persia was amicably torn in two by Russia and Great Britain. But always the rivalry broke out again, for always and in every country, the pressure of business and finance was at work, in the Press and among politicians, to prompt Governments to forge more cannon, to build

greater battleships, to exhaust the last reserves of man-power, in the effort to gain a preponderance of prestige and force which might be used for economic ends.[1] "You cannot have prosperity without power," said Lord Milner in an address to the Manchester Conservative Club in 1906: " . . . This country must remain a Great Power, or she will become a poor country." [2]

Public opinion during the latter years of this frenzied competitive accumulation of power, which we call the "armed peace," was pre-occupied with the rivalry in armaments. Armaments are not the cause of war; they are, under modern conditions, a symptom and consequence of the economic rivalry between capitalist States. Power is not an end in itself; it is valued in the capitalist world because it can always be converted into "places in the sun"—territories to develop, cheap labour to exploit, raw materials to monopolise. It is

[1] One need not deny that when the actual crisis comes, and war is seen to be probable, finance often plays a conservative and pacific part. The German banks helped to prevent war during the Moroccan crisis of 1911, while British bankers advocated neutrality in the last days before the outbreak of the Great War. This only means, however, that finance is short-sighted. It wills expansion, competition and armaments, without realising that one day these must mean war.

[2] See *The Nation and the Empire*, p. 140. Compare also Mr. Joseph Chamberlain's well-known speech (*Foreign and Colonial Speeches*, pp. 101 and 131): "The Empire is commerce. . . . It was created by commerce, it is founded on commerce, and it could not exist a day without commerce. . . . For these reasons, among others, I would never lose the hold which we now have over our great Indian dependency—by far the greatest and most valuable of all the customers we have or ever shall have in this country. For the same reasons I approve of the continued occupation of Egypt. . . . and lastly it is for the same reasons that I hold that our Navy should be strengthened, until its supremacy is so assured that we cannot be shaken in any of the possessions which we hold, *or may hold hereafter*."

true that when the Great War broke out, questions of nationality played their part in it. But its actual origin lay in the rivalry between Russia and the German Powers for the possession of Constantinople and the roads of the East. The underlying economic motive was legible in the Settlement, as the coal of the Saar and Silesia, the iron-ore of Lorraine, the German colonies, and the oil-wells of Irak fell, with the German mercantile marine, to the victors. Had the Central Powers won, their spoils also would have been reckoned in coal and iron and oil, in markets, raw materials and fields for investments.

Nor can we understand our own part in the war and in the alignment of forces which preceded it, without carrying back our analysis to the seizure of Egypt. We went to Egypt originally to secure the usurious debt of the Khedive Ismail to the bondholders.[3] We retain our hold, partly to protect our investments in the cotton-fields of the Soudan, and partly because Suez is the gateway to our still greater field of investment in India and the Far East. Our determination to retain the control of Egypt influenced our relations with other Powers, and especially with France, throughout the generation which preceded the Great War. Our reason for reversing our European policy in 1904, and for entering the Franco-Russian group, was largely that we wished to put an end to the jealous opposition of French diplomacy to our occupation of Egypt. In order to secure her goodwill in Egypt, we agreed to back her claims to Morocco. In so doing we placed ourselves in opposition to Germany, and narrowly escaped war with her in the two

[3] On some of his loans he had to pay as much as 25 per cent. interest. Commissions were so heavy that of a loan of £32 millions raised in 1873 only £20 millions reached the Egyptian Exchequer.

Moroccan crises which preceded the Great War. Out of this bargain for mutual support between France and England in their claims to Morocco and Egypt, sprang the "gentlemen's"alliance which in 1914 inevitably ranged us on the side of France and Russia. The history of these years would be unintelligible without the clue of the economic motive.

FOR the origin of these devastating rivalries we must examine the structure of the capitalist system itself. Always, by the injustice and folly of its distribution of the product of industry, it creates for itself a haunting anxiety lest its market should fail. It has taken in profits what ought to have gone in wages, and the result is that the home market, which is, in the main, composed of the wage-earning masses of the population, is unable, by reason of their poverty, to absorb the goods which its perfected machines pour out.

In the first phase of its life during the eighteenth century, capitalism sought to monopolise markets by founding colonies, and conquering those Powers which were earlier in the field. It crushed rival industries in Ireland and India, forbade its colonists to manufacture, and forced them to export their raw material exclusively through the merchants of the mother-country. The revolt of the Colonies helped to hasten the epoch of Free Trade. Lancashire, at the height of its ascendancy, needed no assistance from the State to find a market for its cottons, and the dominant Liberalism of the Mid-Victorian age was anti-Imperialistic. The change in policy in our day, and the second great period of expansion, followed a

gradual change in the nature of the export. We now export not merely consumable goods like cotton and cutlery, but capital itself.

THE enormous accumulation of wealth at home in relatively few hands must soon have led to a glut of capital, if its employment had been restricted to this island, and the rate of profit and interest must have fallen rapidly. Capital migrated, therefore, in search of richer rewards, while at the same time its exportation helped to maintain the level of interest at home. The system which assigns great profits to a small propertied class was and is essentially unstable. It cannot expand the home market, because it will not allow adequate purchasing power to the wage-earners, who are also the mass of the consumers. Such a system can be maintained only by incessant expansion. Because the English wage-earner cannot purchase an additional shirt for his back, capital must needs cover the nakedness of the negro.

But one cannot go very far in catering for the needs of Africans and Asiatics without providing railroads. That involves dealings with native governments : rival capital may be in the field : the territory which is being "developed" must be policed. Capital is now anchored in a remote spot of the earth's surface, with a "stake" in its "good government." "The flag," therefore, is taught to "follow trade" : here we annex; there we occupy; elsewhere we mark out a sphere of influence; and always the power and prestige of our fleet ensures the punctual reaping of dividends and interest.

A high rate of interest is always claimed for these distant ventures, because of the supposed risk. Yet the financier, with his call at need on the diplomatic

machine (and the fleet in the offing), knows how to convert that risk into a gilt-edged security. Your Khedive Ismail may default for a moment, but there is always a providence which watches over the Imperial usurer. Alexandria is bombarded: a Cromer brings order out of chaos and dividends from bankruptcy. The Transvaal repeats with variations the story of Egypt. Inevitably the armed State is linked up with the expansion of capital. Because capitalism makes poverty at home, it must seek riches abroad. And only armaments can guarantee its operations beyond the seas. It makes the *Dreadnought*, and it makes the slum. Nay, it must make the *Dreadnought*, because it made the slum.

WHEREVER it goes, infallibly capitalism exports, with its machines and its technical efficiency, the same mal-distribution of wealth which sent it on its travels. The attraction of these foreign fields of investment is that they reproduce the limitless possibility of exploitation which marked the early industrial age in England. Trade Unions are only to-day struggling into a feeble existence in India and China. When Lord Cromer left Egypt there was no trace of a Factory Act. I saw in 1908 children working for twelve hours a day in the cotton ginning mills, and sometimes their day lengthened out to fifteen hours. Children and women worked on a night-shift of twelve hours, and the child's wage was 6d. a shift. I have seen a foreman use a cane to keep the children to their task.

In the same year official returns showed that the jute mills of Calcutta were working regularly fifteen hours a day. The wages of an adult textile operative

ranged from 20s. to 26s. 8d. *a month.*[4] "For these reasons," to adapt Mr. Chamberlain's words, capitalist imperialism will not willingly relax "the hold which we now have on our great Indian dependency." Conditions there have only slightly improved since the war. We must take into account, moreover, not only the direct gains of this exploitation, but the indirect. The capitalist from Dundee, who exports his surplus capital to build a jute factory in Calcutta, is able, by the competition of this sweated Indian labour, to keep the wages of his Scottish hands at or below subsistence level. And always, in India and farther East, this opportunity for exploitation must be won and kept by the sword. We are about to fortify Singapore. It is the strategic key to the British sphere of interest in Southern China, where children of six are employed in the factories in day-shifts and even in night-shifts of twelve to fifteen hours, through a week of seven days, at a wage of 2d. a day.[5]

"An old story," you may say, "an obsolete story. Capitalism has made the world safe for democracy and banished war by its League of Nations." Save by the

[4] Present conditions are little better. A report issued by the Labour Office of the Bombay Government gives the average weekly earnings in the Bombay cotton mills in 1921 as follows:—Men, 10s. 3½d.; women, 5s. 1d.; lads and children, 5s. 3½d. Among these textile workers, we read, nearly half the children, 402 per thousand, die in infancy. The wages would suffice to buy an allowance of cereal food less than that prescribed in Bombay prisons. Half these families are in the grip of moneylenders, and owe on an average two-and-a-half months' earnings. As to housing, there is in this torrid climate one water-tap on an average for eight tenements.

[5] These facts will be found in the report of a Commission set up by the Municipal Council of Shanghai, which finished its work in July, 1924. "In the main" (says this Report about the workers) "they present a pitiable sight. Their physical condition is poor, and their faces are devoid of any expression of happiness or well-being. They appear to be miserable, both physically and mentally." The factories referred to are mainly textile.

attempts of the Washington Convention to regulate the hours of labour and the minimum age of employment, the one thing which the League has not touched, or begun to touch, is this curse of economic imperialism. Under its shelter the predatory hunt for oil and coal, for raw materials to monopolise and territory to exploit, has been blessed and sanctified : it has not been stopped. We arm more heavily than before, and, as before, diplomacy places the services of the State at the disposal of capital invested abroad. The League, indeed, sits in Geneva, but the British Government insists that the League must not interfere between us and the population of our fields of investment in Egypt and the Soudan. Capital has acquired nationality : shares possess citizenship, and scrip can say, in Palmerston's words, *Civis Romanus sum*. So long as private capital can call up, to guarantee its profits, the Clerks of the Foreign Office and the Admirals of the Fleet, so long will it perpetuate militarism and prepare wars.

CHAPTER VI.

Crusoe's Boat and Crusoe's Gun.

OUR critical case against the capitalist system is nearing completion. Capitalism (to sum up our argument) yields neither abundance nor liberty: it is fated to make class-war at home and international strife abroad. We have next to show that a workable alternative exists. But before we address ourselves to that task, we must first answer the compromising school of "new" Liberals, who, while conceding that there is some truth in our destructive case, would still argue that a tolerable life may be won for all within the framework of private ownership. Whitley Councils might give the worker a safety-valve: insurance can remove the chief terrors of poverty: an educational "ladder" will help the abler children to "rise": profit-sharing should be tried on a larger scale: the worker should be helped to own his own house and acquire a "stake in the country": and, finally, if the total product of industry is to be increased, the first essential is cordial co-operation between capital and labour.

One might answer that all these reforms would leave the most prolific evils untouched—the alternation of slumps and booms in the trade cycle: the ability of combinations to raise prices by creating a slight scarcity: speculation in raw materials and foods: the waste of competition and the workings of economic Imperialism. But we have a more fundamental answer to the philanthropic Liberal. We believe that the capitalist system rests historically on robbery. The relationship between the capitalist-owner and the wage-worker is incompatible with social morality. The profit-making motive will always reveal itself in anarchic and predatory conduct. These convictions

are already deeply implanted in the minds and memories of the workers; there cannot be, nor ought there to be, any permanent and cordial alliance between private capital and labour.

THE history of the origins of the capitalist system is a subject which its defenders usually ignore. They prefer to argue in a vacuum, and to show, by some fanciful illustration, how the relationship of employer and wage-worker might have arisen. Mr. Hartley Withers, for example, in the ablest of recent defences,[1] builds his argument on an engaging fable about Robinson Crusoe. Crusoe, suspecting that more fish could be caught round his island if he could push out from the shore, built himself a boat by his personal labour. In so doing he showed foresight and took what economists call a risk. Then Friday arrived. Since he also liked fish, he bargained with Crusoe for the right to use the boat, and agreed to pay the builder a share of the catch. Crusoe can now sit in the sun and do nothing : he does not "rob" Friday, for "a large part of his catch is in fact the result of Crusoe's past labour." Suppose that another naked savage arrives, one Saturday, who also likes fish. Crusoe can now set them competing, and lend his boat to the one who "promises him the largest share of fish." The other savage he may set to work on his wheat-patch. Next there arrives an abler kind of native, one Sunday, whom Crusoe appoints a director over his fishery and his farm. New boats are now built under Sunday's direction, and Crusoe can live in complete idleness. This enviable position he has achieved

[1] *The Case for Capitalism* (1920).

by placing the results of his past work at the disposal of the others, so that they, by working on it and with it, can more easily earn a subsistence for themselves, providing a surplus value for him and for themselves, to the benefit of all parties concerned.

Finally Crusoe Junior succeeds to the flourishing property, and he also need do no work. This, Mr. Withers admits, is rather hard to justify, but he does none the less justify it, on the ground that capitalists will not put forth all the beneficent efforts of which they are capable, unless they have security for their property and can hand it on to their children. All this good fortune, we are told, is the due reward of the energy and foresight which the worthy Crusoe put into the building of the first boat, the creation of the first capital.

Mr. Withers has invented his moral tale quite skilfully. He has brought out clearly enough the elasticity of the capitalist notion of the reward due to the man who shows foresight and takes a risk. It is nothing strictly measurable. The building of that boat was worth apparently nothing definite. When Friday came on the scene it was worth a proportion of the catch; when Saturday appeared, and the two competed, the proportion could be raised. The reward, in short, is whatever the capitalist can snatch.

It was candid of Mr. Withers to bring this out so clearly. None the less there is a fallacy in all these familiar yarns about Crusoe's island. The economists find Defoe's tale peculiarly useful, because it stages Crusoe very naturally as the owner of "his" island. "In the beginning" there was Crusoe, and so the capitalist comes into history as the creator. We do not dispute his ownership of the island, and we ask no question when Friday and his successors arrive upon it as naked savages, without tools or arms, or boats

or stores of food. Yet without this assumption, that the island belonged to Crusoe, the whole story breaks down. Mr. Withers forgot to mention that Crusoe had a gun, and the gun, we may discover, rather than the boat, was the true foundation of his fortunes. His conduct, to be sure, seems painfully natural: armed Christians commonly do treat naked savages in this way.

But let us test this story by supposing that Crusoe and his fellow-sailors had been wrecked together on the island. How would these rough, hearty fellows have taken it? If Crusoe's boat had cost him a month of solitary work, before he could utilise it for the common good, they might well have agreed to reward him. A month's holiday to sit in the sun, and thirty gratuitous fish suppers might have seemed to men in this case a reasonable recognition of his public-spirited conduct, but idleness and fish suppers for ever—"shiver our timbers," not that. If this benefactor of the human race had tried to set his hungry fellows competing against each other to raise the hire of his boat, the probability is that one of them would have drawn a cutlass on him before the argument was ended. Among equals men dare not behave with the revolting selfishness of the economists' Crusoe.

Capitalism, in fact, establishes itself only by creating first of all a gulf of inequality. It did not find our forefathers, in the eighteenth century, naked savages without land or tools. It first took their land from them, and then, when it had stripped them of the means of gaining their own bread, it set them competing in the labour market for the privilege of using its machines for the lowest wage which the most needy would accept. When they tried to combine (or even to demand a vote), the yeomanry rode them down at

Peterloo, and the Courts sent them as convicts to Botany Bay. We may concede that at some stage of the process our Crusoe in real life has usually contributed something of value to the common stock, whether it be a boat, a machine, or merely his directive skill, but we contend that in order to make his reward unlimited and eternal, he must first have stripped his fellow-islanders naked, and then stood over them with his gun.

THIS was, in fact, what the real Crusoe did. Capitalism, for its growth, presupposes more than a boat and a gun (or, in other words, costly machines and a State which will legislate and administer in the interests of the possessing class). It presupposes also a mass of landless labourers, a "proletariat," a vast body of men who must work on the owners' terms, because they have first been divorced from the means of production. How, in fact, this proletariat was created, firstly by feudalism, and then by a feudal class and the manufacturers in collusion, sober history records. Living men still recall the last pitiful chapters in the tale, the clearances and evictions in the Highlands and Islands, when the crofters (to make sheep walks and deer forests) were driven down to the slums and mines and shipyards of the Clyde Valley. Mr. and Mrs. Hammond have told, in *The Village Labourer*, the story of the seizure of the commons in detail. A Parliament of landed gentry permitted their class, in the course of thirty years alone (1801-1831), to take three and a half million acres of common land and add it to their own estates. They took it, moreover, without a penny of compensation to the peasants

who had drawn from it a part of their living for generations.[2]

But that was only the last phase of a long historical process. Under the Tudors there began in England that wholesale destruction of farms and cottages to make sheep-walks, which Sir Thomas More denounced. Then came the robbery at the Reformation of the lands of the Church, which were a form of communal property. But still, as late as Cromwell's time, an independent yeomanry survived, and even the wage-labourer up to the very outskirts of London was still protected by the statute, passed in Mary's reign, which made it unlawful to build or let a cottage with less than four acres of land around it. The Restoration and the glorious Whig Revolution brought with a violent rush the process which turned yeomen into tenants-at-will, and peasants into landless labourers. The enclosure of common lands (both cultivated fields and pasture) went on at an ever accelerating pace through the Eighteenth Century, until the labourer became a pauper, supplementing his wages from the poor rates, while his children were exported by the Parish Authorities to work the new machines in the Lancashire mills.

Violent laws, as Karl Marx has shown in the historical chapters of *Capital*, were at work throughout this long period, to coerce the dispossessed peasant, who had lost his right to the soil, and to subdue him to the discipline of wage-tasks. White men do not take naturally to the treatment which Friday and Saturday endured so calmly. Capitalism does not seem a natural dispensation until men have been schooled to endure

[2] The process went on until the 'seventies of last century, and in its last phases was decidedly less predatory in its methods, but the main part of the mischief was done before the first Reform Act.

it. Driven from his holding, the peasant tended to become a vagrant, and then there lay in wait for him laws of a fantastic cruelty, which whipped him, branded his body, sliced his ears, and for a second offence either executed him or made him the slave of the parish. His pay was regulated, until the last century, by the imposition not of a minimum but of a maximum wage, with heavy statutory penalties for men who received too much. For labourers to combine to demand higher wages was, until 1824, one of the most heinous crimes known to our savage laws. It was in those conditions, robbed of their common and their four acres of land, with the branding iron heated if they did no work, with prison ready if they asked too much for their hire, and Botany Bay waiting to engulf them if they combined, that our "Friday" and "Saturday" had to bid against each other for the right to fish from Crusoe's boat—or the right (as more often happened) to weave in his factory. In these conditions it was not surprising that he could exact his twelve or fourteen hours' day for a wage which would keep a family, only if every child was also labouring for its keep. This relationship of employer and employed, this system by which all the surplus value of the worker's toil (after he has received a wage fixed by the competition of hungry and resourceless men against each other) goes to the owner of the machine —this relationship was based on violence and robbery. It still offends our sense of human dignity, though Factory Acts and Trade Union combination have cleansed it of its most flagrant evils.

The interesting thing about modern defences of the capitalist system is that all of them have abandoned the "jungle" theory of social life. Mr. Withers is at pains to prove that social service was the basis of the

good fortune that fell to Crusoe and his son. If that be the criterion, then to us it seems that the arrangements of our present society are ill-adapted to evoke it and reward it. Wealth in a world of rings and combines, of gambling exchanges and watered capital, has in our experience no customary relation whatever to service or to effort, to foresight or even to risk. What risks does even the pioneer investor incur, comparable to those which every miner incurs daily when he descends into the pit? Let us see whether in the idea of social service, if we follow it honestly, we can find the clue to a happier arrangement of society.

CHAPTER VII.

Evolution or Revolution.

As we pass from the critical case against capitalism to the statement of our constructive programme, a question of means and methods meets us on the threshold. We aim at transferring power from the small directing class of to-day to the whole body of workers by hand and brain. Must it be, at any point, a violent and catastrophic change, or can we throughout proceed by way of evolution? The State, through its coercive mechanism and its command of force, has been the indispensable instrument which enabled the capitalist system to establish itself. Must we, then, think of the State as a capitalist institution, which we must contrive to overthrow by revolutionary violence? That was a natural view in the middle years of the Nineteenth Century. The unenfranchised masses were still a force outside the middle-class state, and exerted at best a feeble and spasmodic pressure, chiefly by the threat of riot and revolt. But the outlook for our own generation has radically changed. We realise that the balance of power within the capitalist State is shifting and unstable. It ceases to lower upon us like a Norman keep which we must storm and overthrow: the belief grows that it can be transformed, and visibly (though slowly and within very narrow limits) it seems already in process of transformation.

Ten years ago, though elderly men still repeated revolutionary catchwords, every Socialist Party in Western and Central Europe knew in its heart that any sudden social revolution was impossible, and believed that it was unnecessary. The Russian Revolution

forced us all to think out our position again, but it has, in the end, confirmed us in our preference for peaceful change. It proved that under peculiar conditions a social revolution is a possibility. When the army has been demoralised and dissolved by repeated defeats; when the Central Government is so manifestly corrupt and inefficient that it is justly blamed by people and soldiers alike for these humiliations; when all the familiar idols of the tribe, loyalty to princes, pride in empire, and faith in the capacity of the governing class, lie broken in fragments; when money loses its value and the workers go hungry, then revolution is not only possible but inevitable.

The Revolution succeeded in Russia for three further reasons, which, also, are peculiar. In the first place, Russia can feed herself and survive a blockade. Defeated Germany and Austria, though in some respects much riper for revolution, were deterred by the fear of hunger, as, in a like case, with even better reason, we also should be. The interruption for a few weeks of the normal mechanism of credit and foreign trade would starve our island, even without a formal blockade. Secondly, the masses in Russia were the peasants, who had a direct incentive to revolution, in their traditional hunger for the land, an aim infinitely easier to realise than the more complex purposes of an industrial proletariat. Lastly, the Russian masses found themselves opposed to an upper and middle-class which was not merely feeble in numbers, but incompetent and incapable, when events forced it to organise for its defence. The civil war in Russia was cruel, prolonged, and appallingly destructive, yet it offers only a faint parallel to the horrors which would attend a similar struggle against the numerous and capable middle-class of any Western country.

Russian conditions are so incredibly remote from our own that any attempt to draw lessons from the Revolution may mislead. It does, however, teach us to distrust the doctrine that everything can be won by the violent seizure of political power. This the Russian Communist Party achieved by one of the most superb displays of daring and endurance in the history of the human will. And yet it has failed to make a Communist revolution. As the years go by, the Russian Revolution looks in retrospect like a belated repetition of the French. Its one achievement, which will certainly endure, is the destruction of the landed aristocracy and the establishment of peasant ownership. At the utmost, the Communists, with all their unchallenged power to dictate, can only use political power, as one factor among many, to give to the trend of economic development a bias towards Communism. A long evolutionary period stretches before them, and it is doubtful whether they, with their dictatorship, will move more swiftly towards a Socialist transformation than we may do with our democratic methods. Their example warns us, moreover, that a party which stamps out freedom of speech and printing (even though it had, for a time, amid the perils of civil war, a valid excuse) may never dare to restore the liberties which it has once suppressed. Socialism, if it could be won by such means, would be bought at the price of the nation's soul. A people's mind cannot live in fetters.

AT this point the objection may be urged that while we may be ready enough to proceed by democratic means towards our goal, our opponents may not always consent to play the constitutional game. Will

a privileged class, which has the means and the capacity to organise armed resistance, calmly wait to be despoiled? If it fails, through its control of credit and the money market, to upset a Labour Government by an organised financial panic, has it not more efficacious methods in reserve? There may come a moment when it will, as a last resort, call out its sons in every officers' mess, and bring about a revolt within the army. Or, perhaps, it will keep the army passive, while some improvised body of Fascist irregulars destroys the helpless Socialist Government.

This is not a frivolous objection and we ought never to dismiss it from our thoughts. A Fascist movement on the Italian pattern would not be created easily in this country. Parliament had no roots in Italian history, and parliamentary government was in Italy a corrupt and low-grade imitation of foreign models. With us, on the contrary, the belief in voting, and the respect for the rights of the majority, is deeply imbedded in the traditions of every class. It has been taught in schools and churches and trade unions for generations, and the lesson has been mumbled in pubs and clubs by men of every grade of intelligence so incessantly, that with all of us it is second nature. Even in Italy it required a great deal of lawless provocation from the Red side to create Fascism. The Reds disdained Parliament and legal methods. They believed in direct action, and seized not only factories but ships, and, above all, great tracts of agricultural land, by tumultuous violence. If ever we seek to gain our ends by such means, undoubtedly the retort may be Fascism.

Democracy is a great instrument for orderly change, and yet it would be fatal to exaggerate the omnipotence of Parliament. A majority which tried to

nationalise everything at a stroke, or drove the possessing class to desperation by refusing compensation, would soon provoke civil war. The quality of the support behind us will count no less than the quantity. For success we need intelligent consent; we must first educate the manual workers. Even then we shall not go far, until we win a part of the professional and managerial class. Nor will political power alone suffice. Behind the Parliamentary party must stand the industrial army organised in trade unions. In the end, the unanswerable argument for fundamental change will be the increasing reluctance of the organised workers in mine and factory to tolerate the present distribution of wealth and power. When all these conditions are satisfied, we shall still avoid civil war only by a combination of great skill with unflinching resolution. We shall not glide comfortably into Socialism. The first open step which a Labour Government takes towards Socialism will at once arouse an embittered and unflinching will to resist. We may have to answer with emergency measures and war-time precautions. But even then it would be folly to abandon Parliamentary forms.

HISTORY has placed an admirable lever in our hands, such as no other people possesses. If we ever have to face the challenge of armed force, it is the English and not the Russian precedent which should inspire us. If ever we have to fight to impose our will, our most hopeful course would be to fight with the Parliament behind us, as the Puritan middle-class fought against Charles I. In defence of a threatened Parliament, Labour in power would repeat the revolution of the seventeenth century, and rally

the nation against any Fascist attempt. It is well to start with the constitutional right to call on the obedience of magistrates and soldiers, even though we may expect that some of them will disobey. There is, moreover, a modern weapon at our service which the Parliament could not use under the Stuarts. The general strike may be useless for any positive or aggressive purpose. It has never in fact availed to gain any new right. But once, at least, in the recent history of Europe it proved itself a formidable weapon of defence against a sudden use of force by the reaction. It sufficed, after the mutinous troops and irregulars had seized Berlin during the Kapp revolt in 1920, to save the German Republic.

THE industrial prospect which confronts us in these post-war years should warn us that the change cannot be indefinitely delayed. Neither in coal mining, nor in engineering, nor in the textile trades, do the employers show much disposition to adopt any remedy save the cutting of prices, the lengthening of hours and the reduction of wages. If these tactics are pursued for some years longer, the misery, the desperation and the unemployment must foster the temper which makes revolutions.

If the Labour Party should again take office under such conditions, it must prepare itself for an effort revolutionary in extent if not in method. Unless in the interval there should come an improvement which none of us expect, no little remedies will be worth attempting. Our opponents will probably resist any step which can fairly be said to imply Socialism, as stubbornly as they would resist the whole Socialist programme. Nor can our measures be isolated : one

change may involve a whole series of changes no less considerable. One could not, for example, impose on industry the obligation to pay a true living wage, without at the same time facing the regulation of credit, the control of prices through the importation, by a National Board, of food and raw materials, and the reorganisation of the more depressed industries. Any programme which promises any real alleviation of our present miseries must involve bold measures of reconstruction. We may renounce the aggressive use of force; we may prefer to solve our problem by instalments; but no moderation on our part can alter the fact that when we begin to do anything at all, we must challenge the existing system and carry on the class-struggle to a decisive engagement. The peril of any party which adopts the watchword of evolution is that it may come to imagine that it is playing the ordinary party game. It can do that, only if it renounces its aim of bringing about a fundamental change in the basis of society and industry.

A party which rejects revolution, and imagines that it has endless time in which to achieve its end, may soon cease to work for it at all. The daily tasks of alternate opposition and administration are for some men absorbing and satisfying occupations. The prestige that comes from relative success in these tasks ends by contenting them, and the purpose of achieving Socialism fades from their policy and blossoms only in their perorations. Talking of "gradualness," and deprecating too much zeal, the evolutionary Socialist who sits down to admire the majestic and inevitable march of time, may in fact create in others the impatience and despair which hasten the violent catastrophe that he dreads. In one way only, we who choose evolution can defend our honour. It is that

we should plan our policy with the end always before us, banish from our minds all concern for the interests of our party, and think only of what will forward the social transformation. We have not endless time for our task. If the moment for the testing effort should find us morally or intellectually unready, our failure will mean not merely delay, but catastrophe and reaction also.

CHAPTER VIII.

Socialism and Property.

THE Socialist view of property was condensed at an early stage into a stimulating and memorable epigram. When Proudhon said that property is theft, he summed up our criticism. When we try to state our view in more laboured and positive words, the essence of it is, I think, that we conceive of all property as a common stock, behind which there is the co-operative labour of a whole society. The individual, who seems to himself to be producing wealth, is working with the tools, the science, the skill which past generations accumulated and his teachers passed on to him. His product has a value in exchange only because he finds himself in an orderly community, with a system of law and transport, which brings supply and demand into an intricate relationship. Teachers, inventors, administrators, salesmen, managers, and manual workers are so manifestly co-operating, that no man can say of anything which he produces, "this is my work, and therefore my property." Each does his part, but even the inventor, who seems the most original of us all, is only giving a new application or extension to the work of countless predecessors. The product of all our efforts is therefore for Socialists a common possession, a pool to which no class, or group, or individual has any separate or privileged claim. The prior claims which are based on ownership of land or machinery, the various unequal "pulls" which groups exert because some accident of scarcity has given them a commanding strategic position—these we dismiss as anti-social.

They are, for us, only so many ways of robbing the pool.

This conception of all work as a co-operative effort, and all wealth as a pool, which in the last resort is the possession of the whole organised society, is still, after centuries of capitalistic lawgiving, a deeply rooted belief. It is easy to take the next step, and to mark off certain kinds of wealth which form an important part of this pool, which never ought to be alienated, and must remain a common possession. The land and the industrial machinery are the most important instances of this kind of wealth. This doctrine of the social ownership of the means of production is the working principle of Socialism.

It is rather harder to define our view of the principle on which the rest of the pool, the consumable wealth, should be distributed. Some of these consumable goods (notably, food and clothes) can only be enjoyed by individuals, while others (houses, small gardens, furniture, small collections of books and minor works of art) are naturally destined for the use of families, clubs, or other small groups. Socialists have no objection to private property in this second class of goods, though ownership of a house and garden would have to be hedged by strict conditions. Human personality demands its own atmosphere and environment; the things which make a home should be a private possession which parents may hand on to children.

Lastly, come all the things which the community should enjoy—parks, the bigger libraries, "old masters," and all the greater and rarer works of art. These are not "means of production," but they ought to be public possessions. Socialists aim at making this last form of public property enormously more

important than it is to day. It is partly because our smoke-ridden commercial cities are ugly and depressing, that men desire an income which will give them the means of escaping from dismal and unhealthy surroundings. As our communal life develops, the importance of money incomes will diminish.

DURING the transition period the distribution of wealth will be the subject of endless compromises and experiments. What principle should guide us in defining our goal? Certainly, we mean to end the glaring inequalities of to-day, but few of us would think it important to bring about a rigid equality of incomes. Some have argued that the value of the service which each individual renders should measure his claim to income—that each should draw from the pool what he puts into it. This seems to me an alien and individualistic idea. No man's contribution is his own. I am focussing in this book what I have learned from countless teachers, living and dead—how will you measure the value of "my" work in restating these ideas? By what measuring rod will you decide the relative value of the social services of a mother, a poet, and a carpenter? Each of them, if they are working freely in good conditions, is doing the special thing which for each means happiness. Happiness, indeed, in Aristotle's language, is "the exercise of our vital faculties in accordance with virtue."

Socialists, it seems to me, have to dismiss as a relic of a commercial society, the notion that there ought to be any great difference in rewards, because one kind of work demands a higher or, at least, a rarer kind of capacity than another. Men who are doing responsible and exacting yet interesting work would not wish to

exchange it for easy and mechanical work, even if both were paid at the same rate. An editor would not wish to change places with a shorthand reporter, nor an architect with a draughtsman, even if their salaries were the same.

The more difficult problem is, rather, how society should reward those who are engaged in dreary, monotonous and unpleasant occupations. One solution may be to shorten their hours of work to something less than the average. It is also desirable that they should have the right at intervals to enjoy a change of occupation. Factory work would be rather less deadening than it is to-day, if all the workers engaged in it understood the whole technique of their trade and the inter-relation of its various processes. They will, moreover, take their part in guiding its policy. A worker who understands the place of his task in a chain of processes, and has the right to influence the procedure of his factory, will come to feel that he is no longer the slave but the master of the machine which he tends.

The principle which should guide us in rewarding work is the classical Socialist maxim, "From each according to his capacity, to each according to his need." To act on the first half of this maxim is, if Aristotle was right, the road to happiness.[1] The second half will prescribe some obvious differences in income, even in money income. No Socialist society, I imagine, would allow the same wage or salary to be

[1] The reader may ask how a Socialist Society would deal with those who refused to work "according to their capacity." Socialised industry will succeed only if the public opinion of the workshop and Trade Union condemns and ostracises a man who does less than his best. If such conduct became frequent, the Works Council might have to sanction deductions from wages, or else the adoption of piece-work.

paid to the childless worker and to the father of a family. That scandalous anomaly in capitalist society follows from the conception that Labour is a commodity which one buys in the market. Even to-day, it seems to me, we ought to make a push to adjust wages and salaries to the varying needs of families.[2] It is, to me, equally clear that until the general standard of housing and comfort has risen well above the present general level, we ought to respect the higher standard which the professional class has reached. Every human being has a claim to leisure and the amenities of a decent and cultivated life. But for efficiency in his work, a teacher or a writer needs, for example, a quiet "study," as a doctor needs a motor car. "Needs" in present conditions may justify some inequality of income, though all our efforts must tend to raise the manual worker to the brain worker's level.

The exceptional salaries which are sometimes the reward of ability in salesmanship and more rarely of ability in management, could not be justified by our principles. These people live among the idle rich, and their expenditure is fixed by the standards of a class which Socialists mean to abolish. In the early stages of the transition, when our nationalised industries have to compete with private capital to secure managerial talent, we shall have to pay the market rate. It is not these salaries, however, but the "pull" of ownership which makes the heavy drain on the national income. We can afford to tolerate "the rent of ability" for a time, until the growth of a Socialist conscience about work, and with it the disappearance of the idle class of owners, enable us to apply our own principle with-

[2] See for a full discussion of this very important subject, Miss Eleanor Rathbone's admirable book, *The Disinherited Family*.

out risk. In other ways also—for example, by paying a bonus to managers and workers, based on the output and economical running of a socialised industry—we may have to compromise with the habits of the past. Our ideal may lie generations ahead. We have to reach it by patient and tactful experiment, creating all the while the environment to which men's minds will adjust themselves.

LEAVING the details to later chapters, it may be well to sketch here, in bare outline, the methods by which Socialists would attempt to realise the conception of national wealth as a pool created by co-operative effort, which ought to be distributed according to needs.

(i) As we gradually nationalise the land and socialise the key industries, we win for the community both profit and rent.

(ii) The nationalisation of banking would make possible a scientific stabilisation of the general level of prices. The importation by disinterested national monopolies of the chief foods and raw materials would eliminate gambling and profiteering. The supply of raw materials by the State would also render possible the control of the smaller and less centralised industries, even before they are ripe for socialisation.

(iii) The process of levelling up will proceed by two methods :—

(a) by extending and improving, for the benefit of all, every form of communal service; notably housing, the medical service, the provision by municipalities of parks, concerts and the like, higher pensions for the aged and for widows on a non-contributory basis. Above all, education and care for the mental and

physical needs of all children must be provided on a scale which will raise the conditions of the worker's child to the level of those which professional families enjoy. The preaching of Socialism in England began a century ago, with Robert Owen's efforts to induce the country to copy the wonderful "nursery schools" which he created at New Lanark. Never to this day has the nation really attempted to take advantage of our power to raise and modify the character, physique, and intelligence of children by changing their environment.

(b) by enforcing a minimum wage. It must, by one mechanism or another, vary with the size of families. Further, it must advance from the present timid beginnings under Trade Boards and Agricultural Wages Committees, until a general level is secured which will abolish the extreme differences which now obtain owing to the varying "pulls" of different classes of workers.

By a "living wage" we mean a figure which will keep the worker not merely alive, but healthy and efficient: it must allow for a civilised standard of comfort in housing and also for his cultural needs. It means a figure very far beyond the 28s. or 30s., on which the agricultural worker is expected to thrive. In fixing it we demand that the customary reference to "what the industry can pay" shall be ruthlessly disregarded. There is no moral or social justification for the extreme differences that obtain between one trade and another. Our proposal, in short, is for a single uniform standard, applicable to all trades, below which no wage may lawfully fall, though wages in some trades may and will rise above it.

To what, then, if not to the varying capacity of each industry to pay, is this wage to be related? One can

only distribute what is produced—that and no more. Our answer is that the living wage must be related to the whole national income, to the "pool" of wealth which all produce. Ideally we would reserve, before the distribution is made, only what is necessary for common services, national expenditure, and the replacement and expansion of real capital (houses, machinery and the like). Actually during the period of transition, we shall have to compromise by tolerating much inequality. But from that third of the national income which goes to pay rent, profit and interest, we would recover as much as possible by taxation.

In 1920, in Australia, a Federal Commission, after a very elaborate enquiry, reached the conclusion that at the prices then ruling, a "living wage" for a family of two adults and three children would amount to £5 16s. This was a sum which industry could not have provided. It proposed, therefore, that a basic living wage of £4 should be paid to every adult worker, married or unmarried, to cover the needs of himself and an actual or possible wife. Further, a sum of 12s. for each dependent child was to be paid to the wife by the State. This allowance was to be recovered by the State from the employers, who would pay into a pool, managed by the State, 10s. 9d. for every worker, married or single, whom they employed. In this way the "typical" family of five persons would receive a living wage of £5 16s.; larger families would get more, and smaller families less. Industry would not be overburdened, nor would the employer have a motive for discriminating against married men. If one compares our present level of prices (May, 1925) with those of November, 1920, the equivalent living wage for a family of five would be about £3 9s.; the basic wage

would be just over £2 7s. and the allowance for each child a fraction over 7s., while the minimum cost to the employer of one adult worker's labour would be £2 13s. 3d.

The objection to imposing on industry such a burden as this Australian scheme would involve, is that any gain to the worker would instantly be neutralised by an increase of prices. Currency and credit would have to be expanded to pay the increased wage-bill, and the familiar evils of inflation would follow. There is another method, however, which avoids this difficulty. While we must insist that every industry shall pay the basic living wage, we might finance the children's allowances entirely from direct taxation. In this way we do not increase the total nominal purchasing power of the nation : we merely re-distribute it. We take in income-tax from the luxuries of the well-to-do, what will suffice to give the nation's children the chance of a better life. To pay a weekly allowance of 7s. 6d. to each child, means £210 millions a year. It is a formidable sum, and only a strong and courageous Government, bent on re-distributing the nation's wealth, would dare to demand it.

To impose this higher basic wage on all trades in this country (including agriculture) would have far-reaching effects. For some branches of the export trade it would make serious difficulties. On the other hand, it would have an immediate effect in stimulating the home market. The higher purchasing power of the workers would create a new demand for the products of nearly every industry, including agriculture, and the unemployed would be absorbed without difficulty. But the gain would be wholly illusory without a simultaneous re-distribution of income between class

and class. Prices of necessary goods must be controlled. The general price level must be stabilised, and direct taxation must strike at great profits. It would be folly to ignore the export trade, but it tends to become an obsession; even to-day it accounts only for one-third of our total production.[3] When once we face the necessity for a re-adjustment, we can greatly reduce its necessary volume by re-organising agriculture. The restoration of the home market would give us taxable resources, which could bear the strain of assisting agriculture.

The enforcement of a Living Wage would drive us rapidly forward towards the re-organisation of industry. When a trade replies that the "money is not in the industry," three courses are open to us: (1) We may simply insist that the workers' claim must be met, and leave the industry to readjust itself as best it can. (2) We may subsidise the industry in return for its accepting conditions making for efficiency, with some form of public control. (3) Lastly, if it is a "key" industry, the appropriate step is to nationalise it.

(iv) The funds for this costly policy of communal services and the minimum standard, will come from the taxation of wealth—from a further graduation of the income tax, from the higher taxation of unearned incomes, and from a much more drastic application of death duties. Inherited property, save in articles of use, is not consistent with Socialist principles.

TO complete this very summary sketch of the Socialist view of property, something must be said about interest. Every religion in its early phases has

[3] A note on the effect of higher wages on the export trades will be found on p. 117.

condemned every form of usury and interest. Luther would hear of no compromise whatever, and the early Anglican divines followed him. Calvin compromised, and the Puritans adopted his view, but even he insisted upon rigid limitations. As recently as 1552 the English Parliament absolutely forbade the taking of interest in any form. I have myself known pious Moslems who would not even deposit money in a bank. There is something which revolts us in the system by which money lent, let us say, to build a house or a ship, survives the decay of both, endows an idle possessor for eternity, and multiplies itself without its owner's effort.[4]

The economist, however, can make a conclusive defence for interest under present conditions. Without a credit system involving interest, commerce could not be developed on a national, and still less on an international, scale. Nor could there have been any rapid development of large scale production without the modern system of investment. The passive lender of capital does in present conditions perform an indispensable service, which is entitled to its reward, though not to the unlimited reward which ownership or the means of production enables it to claim. There is, further, in a social system which makes no adequate provision either for old age, or for the care of widows and orphans, a complete justification for the man who saves and invests to provide for the future. In some way society must accumulate capital, and until it has evolved a social mechanism which takes the place of

[4] Mr. Wheatley showed that when a local authority builds a working-class house, the cost per week throughout the sixty years' life of the house is distributed as follows:—Site, 1½d.; materials, 1s. 10½d.; wages of all labour engaged, 1s. 3d.. All these costs amount to 3s. 3d. But interest charges come to 6s. 6d. a week.

individual saving, it must tolerate interest. But the system in its social effects is the prolific source of intolerable evils. It endows the passive owner of capital with despotic power. Above all, it inevitably creates an idle class which lives by owning, and contributes nothing by its own effort to the common stock. That interest, coupled with the inheritance of property, must always have this effect, is a sufficient reason why we must strive to limit it, and even to dispense with it. It will survive (1) until we have made adequate provision for the aged, and (2) until the surplus from socialised industries or from taxation suffices not only for the replacement of worn-out capital, but also for the launching of new enterprises. We may, however, check the chief evil of the system by limiting inherited wealth.

From our resolve to avoid civil war and catastrophic revolution, it follows that we must pay compensation, at a fair reckoning of its market value, for the property which we nationalise. There are specially unpopular forms of property which some of us would like to except from this rule—mining royalties, for example, and certain kinds of landed property. A history of naked robbery lies behind them. And yet there is an overwhelming case against any attempt to make exceptions. One cannot deal with the original robber. These properties have changed hands over and over again. It is impossible to discriminate. Morally a man who buys a mining royalty is in exactly the same case as a man who buys railway stock. On such properties, moreover, banks have advanced money, and to cancel them would involve the ruin, not only of those property-owners, but also of the banking system. A refusal to compensate can only delay nationalisation, and solidify all the interests which oppose us.

The wise policy is to pay compensation in the form of national stock, bearing a fixed rate, or possibly a diminishing rate of interest, or, better still, in the form of terminable annuities. At the same time we shall reduce unearned incomes and inherited property by graduated taxation, as drastically as public opinion will allow. As these contributions from unearned wealth flow into the Exchequer, the owners of property will in effect compensate each other for the socialisation of land and industry. The burden will not fall upon the producers.

CHAPTER IX.

Industry as a Public Service.

WE have now reached the centre of our problem. Socialists may have an overwhelming case against the autocratic government of industry by the owning class, but with all its waste and robbery and despotism the system works. It does provide even for the less fortunate millions of our population a supply of food and clothing which just suffices to maintain life. The cautious majority is reluctant to endanger this relative state of well-being by adopting a new and untried system. Can we sketch a convincing alternative, which will at once ensure the interests of consumers, and give to producers effective control over their daily lives? The older generation of Socialists was content to adopt the bureaucratic methods of management, which the capitalist State has everywhere applied to the services which it has nationalised. In recent years the Guild Socialists have started a fruitful discussion, which has modified all our views. It is obvious that with each industry which we consider, the relations of the State, the consumers and the producers vary in some degree. We shall have to feel our way as we advance, prepared to adapt our solution to each fresh problem that we tackle. The advantage of the evolutionary method is that it can modify its projects in the light of its experience.

There is general agreement among us that coal-mining, the railways, and the generation of electricity are the industries which must be dealt with first. In this chapter I propose, in the spirit of an explorer, to discuss the relationship of the State, the producers

and the consumers in the key industries. The time has not yet come for dogmatism.

TO socialise an industry is to end every species of control over that industry by the former owners of its capital. They will exchange their shares for bonds or annuities, bearing fixed interest under the guarantee of the State. The industry is henceforth responsible to the State, and not to the owners of these bonds, for the provision of the interest and sinking-fund of its capital, old or new. The relationship of the State to the industry will vary, first of all, with the degree of risk which its guarantee involves. In the case of the mines,, it is obvious that reorganisation will be a work of time. Some economies will bear fruit at once, others much more slowly; fresh capital will be required to develop the richer fields, to transfer and house the men from the poorer pits which may be closed down, and to provide plant for new processes.[1] From the start the nationalised industry will have to regard the payment of a living wage as the first charge upon it. It is for the State to decide in what degree it regards the provision of cheap coal as an advantage so vital to the community, that it will forego profits from the nationalised industry. That is a question of policy which Parliament must determine. The railways bring up the same problem in a less acute form, since they make a profit at present on a higher wage basis.

[1] The re-organisation of the mines and railways should form part of a general plan of national development, designed to provide cheap power and transport. Electrical development is a part of this plan. The electrification of the railways should follow. One hopes also for the success of the experiments in smokeless fuel and the distillation of oil from coal.

BROADLY, this conception of the finances of a nationalised industry implies two fixed factors: (a) a general living wage, determined in the first place by arbitration, or by a Royal Commission, and (b) a Parliamentary decision as to whether, or how far, the industry is to budget for a profit. To these two factors, coal prices (in the home market) and railway rates (which a Tribunal might continue to fix), will have to conform. Our aim is to make the industry self-governing, but the last word in fixing prices must be with Parliament. The control of Parliament would be exercised through the annual discussion of the industry's balance-sheet.

For this purpose one does not want a Minister of Mines or of Railways, who would reflect party politics. To ensure continuity of policy the better arrangement would be to follow the municipal model, by constituting a standing Committee of the House (on which, of course, the Treasury and other interested Departments would be represented). The Chairman of this Committee should receive a salary but would not rank as a minister, and need not belong to the party in power. This Committee would gain experience as the years went on, and some of its members would hold their places in successive Parliaments. It should have its own secretariat and audit office, and should be a much more efficient vehicle of public opinion than any transient minister, tied by his Cabinet responsibilities and dependent on Civil Servants. In case of final disagreement between the industry and this Parliamentary Committee over the balance-sheet, the industry should have the right to present its case by memorandum to the House.

Parliament will influence policy by its financial control over the balance-sheet, but within these limits we

conceive of the industry as a self-governing corporation. It will not be run by Civil Servants. It must not reproduce the bureaucracy with which we are familiar in the Post Office. At every stage its governing bodies must reflect the will and intelligence of the workers of all grades engaged within it. Three functions or interests have to be considered: (1) The expert management which directs its operations as a whole, (2) the workers, and (3) the consumers.

These last should form statutory Consumers' Councils, both national and regional, nominated by local authorities, co-operatives, chambers of commerce, or closely related industries. These Advisory Councils would negotiate with the industry both locally and nationally, and would have access to the Parliamentary Committee. It is a matter for discussion whether (as in the Sankey scheme) they should also nominate representatives to sit on the national and local governing boards of the industry. It may be preferable to give seats without votes. The Consumers' Councils ought, in any case, to have access to all the papers and accounts of the industry, and I incline to think that there is an advantage in establishing a direct personal link through one or two salaried nominees, who would sit on the governing Board of the industry as critics and advisers, and give their whole time to the work. The price of coal and the level of railway rates would have to conform to Parliamentary decisions on financial policy: the main function of Consumers' Councils would be one of criticism and suggestion as to the efficiency of the service.

THE task of devising a suitable form of government for the semi-independent Industrial Corporation of the future is the most difficult problem

which Socialists have to solve. There are in existence a considerable number of more or less detailed schemes worked out both in this country and abroad. Apart from the Guild schemes, which laid salutary but one-sided stress on the interests of the workers, these plans have some important common features. All agree in rejecting the old State model, followed in the British Post Office and the Prussian State mines. These State models impose control upon control, until the official loses all self-reliance and initiative. In the new schemes, while the State retains the final control over the finance of the industry in its broad outlines, the technical direction is left to the industry itself. It is essential that political influence should be wholly excluded. The real difficulty is to recognise the right of the workers of all grades to take their due share through elected representatives in the direction of the industry, and yet to ensure that the chiefs of the whole organisation shall be men of fresh and inventive minds, the ablest directors of industry in the country. No mechanical representative plan for composing the Board—so many Directors elected by the manual workers, so many by the technical and clerical staffs, and so many by the consumers—will give a sure guarantee of success. Each section would be apt to choose men who would be vigilant representatives of its special interests, but among them, how many would think first of all of the interests of the industry as a whole? How many of them would possess the type of mind quick to see new possibilities in invention and organisation, the mind of the leader and the pioneer? It is true that only by respecting the representative principle can we ensure the loyal and eager service of the men engaged in the industry. The presence of the men's leaders on the Board should

alone suffice to transform the whole psychology of the industry. At least half of the Board should be appointed by the industry itself. If the Board consists (say) of ten men, three might be chosen by the organisations of the manual workers, and two by the organisations of the managerial, technical and clerical staffs. These are, of course, salaried posts, which should be held for a term of years.

To these representative members, I believe, we must add an approximately equal number of men chosen for their organising and directive ability. These may be drawn either from the industry itself, or from outside it, and appointed for a term of years at salaries sufficient to attract the best talent. Every organisation connected with the industry, the men's union, the technicians' association, the technical college, the consumers' council, the elected Directors, the Parliamentary Committee, and the local councils, should have the right to nominate candidates for these posts. With whom should the final selection lie? Possibly with the Chairman of the Parliamentary Committee, though in that case there might be some small risk of undue political influence. A better plan would be to compose a Committee of Selection, including (say) the Chairman of the Parliamentary Committee, a nominee of the elected Directors, the head of the technical college or professional institute attached to the industry, and the Chairman of the Consumers' Council. The Chairman of the Board should be appointed by the Board itself. One or two salaried nominees of the Consumers' Council should sit on the Board, with the right to speak but not to vote. This plan is designed for such industries as mines and railways. In the case of a socialised bank, the elected element on the Board should obviously be much

smaller, and the Committee of Selection which chooses the expert Directors will have to be composed with the utmost care. These are tentative suggestions which represent only my own personal view.[2]

Two further points should be mentioned in connection with the central organisation of a socialised industry. Attached to each there should be a strong department of research under the ablest chiefs to be found among scientists and economists. It should study not only new inventions and the perfection of technical processes, but also the health of the men, the means of avoiding industrial diseases and accidents, and the whole question of industrial fatigue. One department would watch closely every development in similar industries abroad. Another would make a vigilant study of costings in the industry. The other indispensable central institution would be a court of

[2] The most interesting of the alternative plans for the government of a socialised industry is that which the German Socialisation Commission produced for the coal mines in 1919. It proposed that the sovereign body in the industry should be, not the salaried board of directors, but a representative body, a "Coal Council," which would meet four times a year. It would consist of a hundred members, of whom twenty-five would be elected by the manual workers in the industry, twenty-five by the technical and managerial staff, and twenty-five by bodies representing the consumers, while the remainder would be nominated partly by Parliament and partly by the Prime Minister. The proportions may seem questionable, but the idea of satisfying the representative principle in this way deserves consideration. The actual executive conduct and leadership of the industry was to be entrusted to a board of five directors, who would be responsible to the "Coal Council," which would elect them, and might recall them. These five men, who would be appointed for five years, and would receive salaries likely to attract the best managerial and commercial talent, were not to be regarded as representatives of any interests, but as a substitute for the *entrepreneur* in capitalist industry. Whether election would be the best way to choose these men may be questioned. Selection by a standing committee might be a better plan. Otto Bauer has worked out that method in its application to nationalised banks in his most suggestive little book, *Der Weg zum Socialismus*.

arbitration to deal with salaries and wages (i.e., with claims for rates above the general living wage), if any dispute should arise which the Board of Directors was unable to settle.[3]

It would be a mistake in these big industries to allow too much centralisation. For most purposes of internal self-government the natural unit in coal-mining is the geological field. Each of these big districts should have its own salaried Board of Directors, subordinate to the national Board, but enjoying, none the less, a large measure of independence. Each of these district boards should be composed in the same manner as the Central Board, though on them the proportion of elected members might be higher, say two-thirds. The Central Board might be the body which appointed the non-elected minority of the District Councils after receiving local nominations. In the case of the railways, I imagine, a rather higher degree of centralisation is desirable, though here, too, there would be a place for local self-government on lines, districts or systems.

The real basis of democracy in the industry would be the councils elected by the workers of all grades in each pit, or factory, in each goods yard or station or section of the line. These councils must have the right to discuss among themselves, and with the management, every question affecting the efficient working of the pit, factory, or railway unit, every question of discipline, everything that concerns the health, safety or self-respect of the men. The best manager will be a leader who discusses every suggestion and every

[3] The workers in a socialised industry should have the right, if they so decide, to apply a portion of their aggregate wages to common purposes, clubs, adult classes, music, sports, gardens, and the like, grouped round mine, station, or factory.

grievance frankly and intimately, ready to learn from the men and to influence them by turns. The decision at this stage must lie in every case with the manager, but the men's council must have the right to appeal to the District Board.

OUR scheme of government has, we believe, immense moral advantages over any bureaucratic or capitalistic organisation. The capacity of men for leadership, responsibility and initiative will be judged by their colleagues and fellow-workers. Promotion will depend (subject to technical qualifications) on the reputation which a manager has won first in his pit or station and then in his district. The field of selection in a unified industry will be wider than it is now, and a talented man will have opportunities which he lacks in a capitalist industry, which commonly reserves many of its directing posts for owners and their relatives.

For the competitive motive in getting profits (which to-day influences only the few owners), the equally powerful motive of emulation would be substituted. Accurate measurement of costings and output would be established and published, and the team spirit evoked, so that not managers only, but the whole body of workers in each pit, and in each section of a railway, would vie with its neighbours for a record of good service. The silence and secrecy of private enterprise prevents the development of this team spirit to-day. It was found during the war that, when a whole industry was effectively controlled, the test of relative efficiency, through accurate costings, between one factory and another, provided a powerful incentive to managers, and eliminated waste and bad organisa-

tion by methods which isolated businesses cannot apply.[4] A big Trust can apply these methods, and so can a nationalised industry.

A nationalised industry has over a Trust the vast advantage that the elimination of the profit-making owner abolishes the class-war. The discipline which the Trade Union has built up for the conduct of the struggle with the employer must be transformed with a new object in view. The aim will be no longer defence of a class interest. The aim must now be the promotion of the welfare of the industry itself, its progressive improvement, its maximum productivity. The Union under private enterprise has created a powerful public opinion among the men, which brands a "blackleg" as a traitor; under public ownership it must educate this public opinion until it regards "slacking" as treason. The excuse for "ca' canny" and for every sort of obstructive regulation will be gone. The Unions should develop the spirit of professional organisations, and apply themselves, as associations of doctors, engineers, and architects do, to the study and development of their craft.[5]

Through their local committees and councils, the men will feel that they have the opportunity of making a positive contribution by suggestion or constructive criticism to the efficiency of their industry. These councils will deal with grievances and protect the men against a bullying or inefficient manager (the

[4] For full details see *Experiments in State Control*. By E. M. H. Lloyd.

[5] Contrast with this the imbecility of the Post Office, which informed the Postal and Telegraph Clerks' Association, when it began to publish studies upon the postal cheque system at work on the Continent, that it was guilty of a breach of official discipline, and that its studies must cease. (See *A Constitution for the Socialist Commonwealth of Great Britain*, p. 189. By S. and B. Webb.)

manager who cannot work happily with his men will obviously have to go), but it is no less important that they should evoke from the men their full sense of responsibility and their intellectual self-respect. All the affairs of the industry will be known to them; all its accounts, reports, and statistics should be published for their information. The whole policy of a socialised industry must be to inform the thinking, to stir the interest, to inspire the ambition of every worker within it. Democracy in industry will release springs and motives in human nature to which capitalist enterprise makes no appeal, and give to every grade of workers incentives which they lack to-day.

CHAPTER X.

The Tactics of Transition.

THE Victorian Age had a certain superficial optimism of its own. It was proud of its spreading empire, its self-made men, and its new machines. To us who look back upon it, it is rather its deep underlying pessimism that astonishes us. With all its facile faiths, it doubted the power of collective reason to order and plan. With all its belief in science as the handmaid of the manufacturer, it would not accept science as the organising mistress of our daily lives. It cherished its own dark superstitions, like all ages that disbelieve in reason. It bent its knees as it watched the inexorable play of economic forces beyond the power (as it supposed) of human control. Supply and demand were sovereign powers: wages must find their own level: and the only sure guide for the perplexed was to abstain from all interference with economic processes; the only wisdom was "let be." Against this philosophy of fatalism, Socialism is the revolt. That the community should own the means of production is usually held to be our characteristic doctrine. Even more characteristic, even more fundamental, is our belief that reason and science can organise and co-ordinate our efforts more successfully than the haphazard play of competing needs and greeds. It is, indeed, because this effort to organise socially demands collective control of the means of production, that we believe in public ownership.

We have discussed the method by which Socialists would administer the publicly-owned railways and mines. These are, with electricity, of the first import-

ance, not merely because they employ great masses of men, but also because power and transport are strategical keys to the control and development of other industries. If this sketch had been written ten years ago, it might have gone on at once to discuss our plans for dealing with these other industries, from textiles to agriculture. To-day most of us realise that there is a bigger and more adventurous piece of construction which must come first. It is not the decisions which are taken by the owner or manager of a cotton mill, or by a landlord or farmer, which ultimately govern the life of the mill or the farm. Millowner and farmer may seem to their men to be autocrats, as in some respects they are; but the bigger events of our economic life sweep over them like the tides and the seasons. They can no more influence the ebb and flow of the trade-cycle, than they can control the play of the moon with the ocean. Movements of prices hurry them along and dictate their policy. If they spin and weave, the ever-varying prices of their raw material must be the basis of their reckoning—or their gambling. Even if we had nationalised the mill and the farm, we too should have to bow, as their present masters do, to external forces, unless we could control the mechanism that governs prices.

1.—*Who Shall Ration Work?*

THE first step is to win for the democratic State the control of the mechanism of credit. "The banker," as Dr. Walter Leaf, who is President of the Institute of Bankers, has said, " is the universal arbiter of the world's economy." His main function is to ration credit, but since he rations credit he rations work and employment also. He is the autocrat who

regulates the trade cycle, and in so doing controls the lives and homes of working men and women more effectually than any Parliament. We shall make slow progress towards the scientific organisation of industry until we have socialised banking, and given the banker an honourable place as the expert who carries out a national credit policy.

The first principle of that policy should be to regulate credit in such a way as to keep the general level of prices steady. Recent theoretical studies leave no doubt that prices are governed much more by monetary policy, and the contraction or expansion of bankers' credit, than by the fluctuations of supply and demand for single commodities. It is now realised that a scientific credit policy can, with adequate organisation, prevent any considerable fluctuation in this general level of prices.[1] If it can do this, then the trade cycle, with its disastrous alternations of slump and boom, can be reduced to a harmless and barely perceptible oscillation. To achieve this would be to remove from the industrial system its cruellest method of barbarism.

Some causes of unemployment would remain unaffected. If a trade is over-manned (as engineering has been since the war), or if fashion reduces the demand for some particular product of industry, if a new labour-saving process throws men out of work, or if a foreign market or a source of raw material is closed, there will be unemployment, which no development of Socialist policy could prevent. But the main cause of unemployment, the curse which has darkened the lives of the workers since the industrial

[1] For a brief explanation, see footnote at the end of this chapter.

system began, is the periodic disturbance of slumps. That central cause of unemployment we believe to be curable, from the moment that an enlightened community dictates to bankers its will that it shall be cured. If the amount of credit is slightly restricted, and its price (the Bank Rate) raised at the first signs of a coming boom; if credit is slightly expanded and its price lowered at the first distant symptoms of a depression, the general price-level will escape serious fluctuations, and employment will be constant and steady. The assurance that these methods will be applied, would give to industry a confidence which it has never enjoyed since the industrial age began.

" Stability " is a word with a somewhat conservative ring, and many who are friendly to this policy, because it promises to end the recurrent misery of slumps, fail as yet to grasp its promise. It would, in the first place, reduce " profiteering " (which occurs mainly in the boom period) to much narrower limits, and check speculative dealing. It would reduce the amount of attention which a manufacturer or a farmer has to give to marketing, and free his energies for his proper work of perfecting his technical processes. It would also lessen the excessive accumulation of capital during a boom.

Secondly, it would add enormously to the effective bargaining power of organised labour. What labour gains towards the end of a boom, it invariably loses in the slump. Wages are for ever chasing prices round the cycle: the gains are illusory and fleeting. Unions are compelled to fight battles which rarely end in apparent victory. Every slump brings a loss of membership and empties the war-chest, so that only for a short period in each cycle is labour able to use its collective power to the full. To end the fluctua-

tions in trade and employment would mean, firstly, that most of our present strikes would be unnecessary; secondly, that the Unions would maintain a constant level of power; and thirdly, that when they did fight, and win, the gain would be permanent.

Lastly, the ironing-out of the trade cycle (especially if the regulation of the price level were international) would bring with it the possibility of constant progress in the world's production. A slump means not merely that men and machines stand idle and deteriorate; it means also that fields go out of cultivation, and flocks and herds are reduced. When the boom comes again there can be no sudden answer to the demand for wheat, cotton, and wool. Stability of prices does not mean stagnation. On the contrary, if at the same time we are stimulating and reorganising production and also bringing about a more equal distribution of the national income, it should be possible to expand the volume of currency and credit, steadily and gradually, year by year, to keep pace with the growing and uninterrupted output of industry.

The nationalisation of banking (with the development of municipal banks) opens up other possibilities. Banks, at present, are money-lenders whose sole aim is profit. If one builder requires credit for a cinema and another for cottages, the two demands are weighed against each other on business grounds alone. Nationalised banks would have to earn their fixed interest charges and cover their risks and their costs; but, subject to these conditions, social policy can be brought in to guide the stream of credit—to foster agriculture, for example, to meet the housing shortage, to encourage co-operative ventures, and in every direction to apply the immense power of collective credit to the satisfaction of social needs.

2.—*The Control of Raw Materials.*

WITH the scientific regulation of credit it is possible to ensure that the index of wholesale prices shall remain constant.

But this will not cure the fluctuations in the prices of single commodities—wheat, for example—which vary somewhat with the season, and fluctuate habitually within very wide limits from month to month. To solve this problem our proposal is that the State should create a chartered corporation or Board of Supply, which should have the sole right of importing wheat and flour. Its directors should be the best experts in the trade; they should not be tied by bureaucratic red-tape, and should have to answer to the Treasury only for the broad results of their policy; either directly or on commission they should import all the wheat required for the country's needs over and above the home crop. They would aim at making long-term contracts with Dominion Governments or farmers' pools, to secure their whole exportable surplus, and so far as necessary also with foreign exporters. They would build up reserve stocks. With the aid of world statistics their aim would be to forecast prices, and on this basis, at first for a year ahead, and eventually, as they gained experience, for three years ahead, they would fix a uniform price at which they would deliver wheat to the miller. In some years they would make a loss, in others a profit, as prices fluctuated in the world market, but their reserves and their long-term contracts would lessen the element of risk.

The world trade in wheat is being rapidly concentrated in the hands of a few international dealers. Farmers in the great producing countries are forming their co-operative pools. It is essential that buyers

also should concentrate, if they are to meet the sellers on equal terms. Our policy will eliminate speculation and abolish the middleman's profit. It also brings to the farmer security, and enables him to reckon, when he puts the seed into the ground, on an assured price for his crop. The English farmer (the price of whose wheat always conforms to that of imported wheat) would benefit no less certainly than the producers in the Dominions. The flour mills might either be nationalised or formed into a public utility corporation. The same policy should be applied to imported meat.

OUR recent experiences with food profiteers have made this policy of ours, for the organised supply of the chief food-stuffs, familiar in outline to most readers. It is, however, only part of a general policy which we would extend to the chief raw materials of industry—to wool and cotton, jute and flax, to iron, nitrates, oil, and rubber. The aim and the technique would be broadly the same—to economise by concentrating the nation's buying under a central direction; to keep prices steady, by purchase in bulk on long term contracts, with a reserve to cover the uncertainty of supply and demand; to abolish speculation, and to stop the diversion of wealth into the hands of traders who thrive on scarcity.

What was done during the war, under inordinate difficulties, with shipping scarce and the seas infested with submarines, by improvised staffs, and often (as in the case of wool, flax, jute, and oils) with conspicuous success and at a handsome profit, can be done much more easily, in time of peace, with this experience to guide us. Side by side with the Corporation which

imports (a board of business men, not civil servants), there should in every case be created a representative advisory council drawn from every section (masters and men) of the industries concerned.

A policy which has much to commend it, when we consider the advantages of steady prices and the economy of bulk purchases, becomes essential when we face the problem of controlling the less centralised industries. The State cannot (for example) take over the wool industry to-morrow, as it might take over the railways. But, with the raw material of that industry in its hands, it can with ease direct it, control it, develop it on lines that suit its general policy, and ensure the supply at fixed prices of the standard articles in common use.

With raw materials and credit in its power, it dominates industry and governs the movement of prices. It can set mills and even combines working for it on commission. It becomes the dispenser of work and the regulator of profit. It has ended the autocracy of the banker and the owner of the machine, who are to-day the sovereign powers which give work or withhold it. If it went no further in its scheme of Socialism, it would have broken down the despotism which the industrial era created. With every bale of wool under its control, it can impose conditions which will ensure to every worker at every stage of the long process of manufacture a living wage, and to every consumer the satisfaction of his normal wants at a fair price. With credit and raw materials in its power, the democratic State becomes the master of the masters.

3.—*The Strategical Roads to Power.*

EVERY Socialist has his moments of bewilderment, when he asks himself how he would bring the infinite diversity of modern industry within the framework of his system. Walk down a street, with this problem in mind, and you will batter your brain against a score of conundrums. Here you are confronted with the export trade; there you are reminded of the farm; a score of little individualistic trades press themselves on your attention, and you cannot apply to them the formula which seems to work when you think of railways and mines. "The transition period" is the blessed word which postpones your difficulty. To be sure, we shall not, during the first generation of the active effort to set up the Socialist State, vex ourselves unduly if chimney-sweeping and patent medicines escape our zeal for socialisation. There are many small trades in town and country, arts and crafts and small holdings, which we may contentedly leave, in some cases for ever, on an individualistic basis.

No one in his senses dreams of nationalising every industry at once. With which shall we begin? Some of us would give an opportunist answer—nationalise those industries which are "ripe" for the process. There is none so "ripe," for example, as the Tobacco Trust, a close and very profitable monopoly. We might get some revenue from the State in this way, but we should add nothing to our power. The coalmines in this sense are not "ripe" (for they are as far as possible from being a single monopoly): and for years to come they may yield no revenue. Yet it would be folly to waste our time in taking over tobacco, and folly no less signal to delay one day in taking over the mines. Our first object is to win power

over industry as a whole—power to direct its development and power to control prices. For this purpose it is vital to have the mines (including electrical generation) and the railways. The cost of mechanical power and transport enters into the cost of everything we consume. Credit is the other universal factor, and therefore we must control the banks. "But surely," the timid Socialist answers, "we shall be undone, if we take over an industry that does not pay?" That is certainly an inconvenience, but it will not deter us, if the industry is a "key" to the prosperity of every other industry. The State which can control the conditions on which every trade shall enjoy credit, the price it shall pay for power, and the rates it shall pay for railway transport, can foster and shape the nation's industrial development at will.

To suppose, indeed, that we can grope our way through " the transition period " without a plan is a dangerous form of intellectual laziness. Our plan must be based on a clear understanding of the forces which govern manufacture and sale under the capitalist system. Our general staff must know how to seize the strategical roads to power. To imagine that we can achieve our end, as a revolutionary mob might dream of doing, by storming the factories and taking them over, would be to doom our movement to disaster. Behind the factories we have to cope with the movements of prices, which govern both wages and profits. A Labour Government which attempted to control prices, by fixing straight away a fair selling price for the manufactured article, would certainly fail. Not even if we sentenced profiteers to prison should we succeed : the French Revolution used the guillotine in vain.

Successful control depends, as we have seen, primarily upon two things: (1) the scientific management of the mechanism of credit, designed to keep the general price level stable; and (2) a tight grip upon the chief raw materials. It is useless to try to intervene at any point in the long chain of processes which end with the finished article in the shop, if you leave the raw material at the starting point in the hands of price rings, gamblers and speculators. If, however, you start with the raw material under your command, you may dictate equitable conditions to each section of the manufacturing trade which handles it.

4.—*The Control of Wool.*

LET us take as an example wool, which was controlled during the war successfully and profitably. The first step is to create a Raw Wool Corporation, which would have the sole right to deal in the raw material, and would work with capital provided by the State under a State guarantee. It would aim at negotiating long term contracts with the farmers' representatives, and at the purchase of the whole clip in this country, and, if possible, in the Dominions also. By these contracts, and by keeping a reserve, it would aim at steady prices.[2]

This Corporation would be run as a business concern. Its directors would be chosen by a Selection Committee on the model already suggested (p. 89) for the Mines and Railways, which would have before it the recommendations of a representative Congress. This Congress should represent every body of men and women engaged in the industry, manual workers,

[2] I am here using a scheme worked out by "Realist," a contributor to the *New Leader*.

technical staffs, manufacturers, merchants and retailers.[3] Meeting once or twice a year, it should elect a Standing Council for current affairs.

The first stages of manufacture are comparatively simple, and the standardised processes require no great capital. During these stages (sorting, combing, and carbonising), the wool remains the property of the merchants. This practice should be continued; the wool would belong to the Corporation, which would hand it over at an agreed tariff to go through these preparatory processes. The present employers should be bought out by the Corporation, and the salaried experts and manual workers might form themselves into a Guild.

The Raw Wool Corporation would usually fix its selling prices for periods of, say, six months. The standard qualities would be ordered in advance by another public organisation of the same type (linked up also with the Wool Congress), the Standard Clothing Corporation.

The Standard Clothing Corporation is first of all a commercial organisation. Its aim would be to eliminate profiteering and waste in the supply of necessary woollen and worsted goods to the masses. It would not attempt to provide luxury goods; these, for some time to come, must be left to private enterprise. It would, however, cover a wider range of goods, with more variety and novelty in design and material, than was attempted by the standard clothing scheme during the war. This Corporation would negotiate long-term contracts with spinners and with woollen and worsted manufacturers, who would produce for it yarn,

[3] The term "retailers" includes, of course, the co-operative societies. The retailer, who has to study the wants of the consumers, would in effect represent their point of view.

cloth, hosiery and blankets, to standard specifications, at prices allowing a fair margin of profit. The Corporation would then negotiate with wholesale clothiers and retailers for the manufacture and sale of standard suitings and costumes at fixed prices. It would also take orders for the export trade, either from British exporters or from foreign importers.

A single organisation of this kind can survey the whole field of demand, and adjust supply to it with a minimum of short-time and overtime. Its resources should suffice to finance adequate reserve stocks.

This scheme is based on the lesson which Socialists have been slow to learn, that commerce is to-day the mistress, and manufacture the servant in industry. Apart from the luxury trade, it takes over all but the last retail stage of the commercial mechanism, basing control on a monopoly of the raw material. The results for the consumer should be satisfactory. Given capable management, the economies from the elimination of middlemen, from the regular rationing of work, and from the standardising of processes, should result in lower prices, while quality would be guaranteed. With this scheme in operation it would be possible to go forward, step by step, and to socialise single mills or groups of mills. Within this commercial structure the formation of a Guild to carry on the technical processes of manufacture would not be difficult, for the Guild would work under contract for the Corporation. Without such a contract it is hard to see how Guilds can ever come into being.

This scheme aims (like the plan for the mines and railways) at preserving a balance of power between the producers, the consumers, and the State. The balance-sheets of the two Corporations would come before a Standing Parliamentary Committee for sanc-

tion, and it would have to approve their budgeting for a profit (which would go, of course, to the Exchequer). This would involve a review of the broad policy of the industry in fixing prices and wages. An advisory Consumers' Council might be created, if necessary, and an arbitral tribunal to review wages.

The Labour Movement in this country has been much more cautious than the German and Austrian workers in advocating workers' control within a capitalist industry. Its argument was that any permanent co-operation between masters and men would unite the industry for the exploitation of the public. Perhaps this argument was pressed too far: certainly the Works Council in Germany have given real protection to the men and a most valuable education. No dismissal can take place without their consideration, and the men have access to the accounts of the firm. With the structure here proposed for the wool industry, the danger of any joint conspiracy to fleece the consumer is removed; the profits of the two Corporations go to the State. Within this scheme, then, the development of Works Councils could go forward in each mill, while in the Congress and its Council the workers of all grades would be represented.

5.—*Guilds and Trusts.*

THIS illustration may serve to suggest how the other textile industries might be dealt with. The other great national group of industries, the iron and steel trade, engineering and shipbuilding, confronts us with a more difficult problem by reason of its immense diversity. Here, too, the first obvious step is to start with the control of the raw material. The mining of

iron ore should be socialised on the plan followed in the case of coal, and the import of ore managed by a Corporation similar to the Raw Wool Corporation. I doubt, however, whether we could at once follow the analogy of wool in the further process. It will be easier to evolve a plan for dealing with the engineering trades when the process of combination has gone somewhat further.

One possibility is that within a workshop the men with their foremen, and (one hopes) with the technicians also, might form themselves into a group which would negotiate a collective contract with the employer —a bargain that they as a team would produce, in a given time, a given quantity of the product of the workshop for a lump sum. They would enforce discipline among themselves, admit and dismiss their members, divide the payment for their joint work as they might agree among themselves, and arrange thier hours in their same way.[4] A few successful experiments in collective contracts would pave the way for the formation of manufacturing guilds and the elimination of the capitalist owner. These guilds might be governed by Boards of Directors, partly elected by all grades of workers, partly selected for their personal capacity. Capital might be hired by the Guild at a fixed rate. When such a Guild came near achieving a monopoly in its own branch of its trade, it should be brought, in its commercial aspects, under public control.

[4] I mention this possibility, but I am by no means sure that it deserves to be adopted. It amounts to collective piece-work, and results in great intensity of work. The strain may be excessive, and the team inevitably rejects or eliminates the slower workers and the older men. Their interests must not be ignored, and under this plan it is not easy to safeguard them. The Guild can, of course, develop on a time-rate basis.

THE policy which a Socialist party in power should follow towards price-rings, combines and trusts, calls for a more careful and detailed definition than I am able to offer. Where the State can itself undertake the supply of the raw material, it is in the strongest position to impose its own terms. Control of prices and profits will always be difficult, if not impossible, when an industry is unorganised, and includes large numbers of small concerns, which vary greatly in efficiency. Nor does the existence of a price-ring greatly simplify the problem, since its prices are based on the costs of manufacture of its least efficient members. If, on the other hand, the industry is so organised that it exercises some degree of control over its members, suppresses the least efficient units, and achieves economy by common research, the pooling of inventions, and the organisation of buying, selling and manufacture, then the State may deal with it as a single concern, and commission it to manufacture (at Trade Union rates of wages) standardised articles at prices based on accurate and reasonable costings. The result would be to make an end of excessive profits, and to force manufacturers to rely for their profits on good technical organisation. With the raw material under its control, the State may insist (as it often did during the war) that an industry shall organise itself on these lines.

A further step would be to empower the Board of Trade to appoint a certain number of Directors to the governing body of all trusts, combines and organised industries, wherever anything approaching monopoly exists. One might also go on to insist that a certain number of directors, representing the workers and technicians in the industry, must sit with full powers on these boards. This is a policy of gradual penetra-

tion, which would give weight to the interests of consumers and workers in the policy of syndicated industries, and prepare the way for nationalisation. But where a tightly-organised trust is already firmly established, there is no reason why one should hesitate to nationalise it at once, save, indeed, that a government busy with the more essential tasks of nationalising the mines, railways, banks, and the importation of food, will have its hands full for several anxious years.

But I will not attempt to sketch in further detail the various ways in which the State might deal with the less vital and less centralised industries. If they must rely upon it for power and transport, credit and raw materials, it can gradually shape them in accordance with its social policy and its scheme of national developments. I doubt if it will wish to make its list of nationalised industries a very long one. The Guild idea bristled with difficulties, because the guildsmen never suggested that the State should be armed with the influence which the control of credit, power, and raw material will confer. The Guilds, as they sketched them, would have been almost sovereign bodies, confronting a helpless and powerless community. But given those means of control, it is possible to foresee a great development for the guild idea. Within each self-governing Guild there would be scope for leadership and initiative in production. To foster that, without surrendering control over prices, is the real psychological problem for Socialism. A free Socialist State will permit and even assist every form of association for co-operative production. There are, indeed, some kinds of activity which it would be madness ever to nationalise. Even if the State should one day own all the printing presses, it ought to leave the publishing of books and newspapers to groups, professional

associations, Universities, parties and even individuals. There must be more freedom than there is to-day for adventure in word and thought and deed.

6.—*The Municipality.*

TWO other organisations will play a great part in the constructive policy of a Socialist State—the consumers' co-operative societies, and the municipalities. Here the part of the State may be to foster their activities, but for interference and control there is luckily no need, since neither of them depends on the State for the supply of capital, and both protect the interests of consumers. Neither the Co-operatives nor the Municipalities have as yet recognised the right of the workers to a share in the control of their activities; at some stage provision must be made for this.

The Labour Party is already pledged to the policy of extending the powers of municipalities. The English tradition in local government has been absurdly jealous of the autonomy of the municipalities and in many ways their development is, in consequence, behind that of German towns. The growth of civic pride and ambition demands a much wider measure of freedom than English towns enjoy. They ought to have the widest powers to manage the land within their areas, to regulate and undertake building, to impose some standard of taste as well as of health, to foster music and the theatre, and to experiment in their schools. In the life of a Socialist society, the municipality may indeed come to be a more living and important expression of the communal spirit than the State itself. In the economic development of Socialism, there is a wide scope for the extension of municipal enterprise. When the wholesale supply of coal,

flour, milk and meat is organised by the State, the municipality will naturally organise the retail distribution. This it may do directly through its own bakeries, abattoirs, and shops: at the least, it must license and inspect the retailers: in no case should it disturb the trade of a big and efficient Co-operative Society. In scattered districts it might be economical to combine the door-to-door distribution of milk and bread. The development of municipal enterprise completes our scheme for dealing with the staple foods of the nation. Every stage from the ship's hold to the shop counter can be organised under a public service, with immense gain alike to the pocket and to the health of the wage-earner.

7.—*Agriculture and the Land.*

IT remains to speak of one of the most vital of all our tasks—the nationalisation of the land, and the re-organisation of agriculture. It is unnecessary to say much about urban land, for no plausible defence has ever been made for the urban landowner, whose wealth is the most flagrant example of a tribute levied by an idle class upon the activity of its neighbours. The State must become the owner of urban land, but it must obviously delegate the management to the municipality. If a tax were levied on urban site values, the proceeds would provide a fund which could be used for the gradual purchase of the land, and in this way the owners would compensate each other.

The problem of rural land is more interesting and more complex. In this case the landlord did fulfil a function: he provided capital for the improvement of the land, and, in theory at least, his management was some guarantee for the efficient conduct of agriculture.

Partly as a result of high taxation, partly in consequence of legislation for the protection of tenant farmers, the modern landlord is ceasing to perform either of these functions, and is becoming a passive and useless receiver of rent. Socialists cannot adopt the Liberal policy of assisting the cultivator to become the owner of his holding.[5] The land is the most essential of the nation's material assets, and it ought never to be alienated. It cannot be a matter of indifference to the nation whether its land is well or ill cultivated, whether it is divided into large farms or small, whether it provides under arable farming the maximum yield of food, or employs under grass farming a smaller number of labourers with a lower yield of food. To leave all this to chance and the individual farmer is not policy, but the deliberate choice of anarchy and waste. National ownership of the land is, however, perfectly compatible with individual direction, and even, during the period of transition, capitalist enterprise in farming. The first problem is to devise a plan for managing the nation's estate, which will ensure steady pressure towards efficient cultivation, while providing a form of control which farmers will accept with a measure of goodwill. Bureaucratic management from Whitehall would encounter the utmost resistance. Our proposal is to vest the management of the land in permanent local committees representing the industry in each county, or in more convenient smaller units. One-third of these should be chosen by the Farmers' Union, and one-third by the men's trade unions, while the remaining third should be nominated by the Ministry of Agriculture. A capable service of land agents must be recruited to do the expert work

[5] As this book is passing through the press, Mr. Lloyd George has himself abandoned this policy.

of management in association with these committees.

Our proposal is to carry through the transfer of all agricultural land to public ownership, as rapidly as possible without creating disorder. Compensation would be paid in the form of terminable annuities, or of guaranteed land stock. But during the few years required to complete the transaction, the County Committees should begin to function. They should have power to review all renewals of leases, to veto objectionable conditions or to impose conditions making for better husbandry. They should have power, after periodical surveys, to remove tenants, after due warning, who make an inadequate use of the soil. Bad farming is proof of bad management by the landlord, and in such cases the landlord, as well as the tenant, would be dispossessed. The County Agricultural Committee might itself take over such farms and work them through a capable bailiff. The committees would also be empowered and expected to experiment in running large farms, under expert management, as national concerns. If these experiments proved successful, the State would be justified in finding the capital for pushing this policy on a large scale. To encourage big farms, even as capitalist enterprises, might represent a technical advance. The future of small holdings is obviously dependent on the development of co-operation, and this the committees would be expected to foster in every possible way. The nationalisation of banking should have as one of its most important consequences, the creation of an Agricultural Bank, which should provide credit for farmers on easy terms, and act for the Ministry in making advances to agricultural co-operative ventures.

Our proposals for the stabilisation of wheat prices

have already been outlined. The gain to the farmer from the fixing of a price over a year, or a term of years, must be considerable. He can reckon, when he puts his seed into the ground, on a price for his crop known in advance. He can calculate the acreage which he can afford to devote to wheat. He is delivered from the anxiety of an uncertain market, and can devote his energies to his proper business of perfecting his technical processes. The nationalisation of the wholesale trade in milk will bring him into relation with a public Board, which must consider the interests of the producers as well as those of the consumers. Whatever the future of wheat-growing may be in our country, there can be no doubt that the intelligent development of arable dairy farming would enable us to supply our own needs in milk products, and also to increase our consumption of milk.

Step by step with this economic policy, a Socialist Government would endeavour by the improvement of rural housing and rural education, but, above all, by the enforcement of a living wage, to raise the status of the agricultural labourer. This can be done only by helping a very backward industry to organise itself into efficiency. A stream of new capital, under public control, will be directed to help it. Steady prices and the elimination of the profiteering middleman by the Wheat Board, the Meat Board, the Milk Corporation and the Wool Corporation, will deliver the farmer from the parasites who prey upon him. Above all, the feudal despotism which too often paralyses village life, will disappear, and the industry itself, workers and farmers, will manage the land which it cultivates.[6]

[6] A detailed account of this programme, which includes many points omitted in this rough outline, will be found in *A Socialist Policy for Agriculture*, published by the Independent Labour Party, price 2d.

8.—*The Living Wage.*

NECESSITY may compel us to carry through rapidly a programme which we might have preferred to apply gradually. As one year of depression follows another, we may have to realise that a swift readjustment of our national economy is inevitable. For nearly a century we have neglected agriculture, and developed manufacture with export as its principal aim. It is hard to believe, as the world's consumption of coal diminishes through the use of oil fuel and hydro-electricity, that our coal exports can recover their former figure. The cotton trade has to reckon with the steady growth of its Eastern competitors. Every European country, since the war, tended, during the chaos of the currencies, to become self-sufficient. All aimed at what M. Caillaux has called "omni-production." The tendency seems to be permanent. If America succeeds in compelling the Allies to meet their debts, then what has happened in the case of Germany will be repeated all over Europe. An indebted nation must import as little as possible; it must also develop its exports to their utmost capacity. The first tendency will limit our European market still further, and the second will intensify the competition which we have to face in neutral markets. It is possible—to me it seems probable—that we must face a lasting and even an increasing diminution of our export trade.[1] To meet this emergency by a desperate policy of under-cutting prices and lowering the workers' standard of life is national suicide. The sane course is to reduce our imports by

[1] The reader who recollects the scale of payment suggested by way of illustration on p. 78 may well enquire what would become of the export trades, if such wages were enforced throughout them.

fostering our agriculture.* By the attraction of a living wage we must promote the return to the land of country-bred workers, whose labour can find no market in other trades.

It is, in short, no mere theory which is carrying us towards Socialism. Our task is to offer an alternative to a system which by mass unemployment and low wages is threatening our whole standard of life. There is no hope for the wage-earner in any defensive tactics, however stubborn. Nor will he fare better if he boldly takes the offensive and attempts to enforce a general rise in the level of money wages. Whatever he seemed to gain in that way would be filched from him, under the existing order of society, by the general rise in prices which would inevitably follow.

I would reply :—

(1) That well paid labour, as Mr. Ford and others have found, is more productive than sweated labour.
(2) That high wages in industry, may stimulate the management to use its brains.
(3) That credit, transport and mechanical power based on nationalised services can be provided at rates which will lower the costs of production other than wages in every industry.
(4) Again, by delivering the manufacturer from the risks attendant on price-fluctuations in the raw material, we should confer an immense advantage on some export trades, notably wool.
(5) The adoption of the living wage policy in this country would stimulate Continental labour to demand the same advantages, thus equalising the conditions of competition.
(6) A policy of delimiting foreign markets might be adopted, as the German coal exporters recently proposed.
(7) Few trades work solely for export. The home department would boom, and compensate for the foreign loss. In the last resort, at least during the period of adjustment, a subsidy may have to be paid to some of these trades.
(8) Finally, we do not pay for all our imports by our present exports. A great part of these come in as interest on former exports of capital. Measures must be taken (as was done during the war) to prevent the alienation of capital invested abroad.

* The distillation of oil from coal, by low temperature carbonisation, would also enable us to economise in this big detail in our list of imports.

To begin by demanding a genuine living wage would, I believe, be sound strategy. Hitherto Socialists have argued in their propaganda that if industry and the land were nationalised, the consequence would be an increase in our national wealth, and a fairer distribution of the national income. The happy result looked to the average man rather remote, and preliminary processes did not grip his attention. There is much to be said for reversing the order of thought and action. Let us rather begin by demanding the fairer division of wealth; let us insist, first of all, on the elementary human claim to a living wage, and then enforce the wide economic changes by which alone it can be realised and secured. The fixing, whether by combined Trade Union action, or by a Royal Commission, of any adequate figure, would drive us at once into big political changes. The demand is a battering-ram levelled at the present system. It requires a re-distribution of the national income. How to achieve that — how to neutralise the alchemy of "Rent and Law" — has been, throughout, the underlying subject of these constructive chapters. The "third nettle" must be snatched back for the widow's pot, from the receivers of rent, interest and profit. This study has led us into an elaborate chain of proposals, in which one link depends on another. A general rise in real wages can be secured only if we can stabilise the general level of prices. Even then we could not, by the control of credit alone, achieve our purpose. We must eliminate, or at least restrain, the profiteer in all commodities which are essential to working-class life—food and boots and clothes and houses. That involves a close grip upon the raw materials, and a controlling hand upon the processes of manufacture. Power and

transport are no less vital : we must socialise the mines and the railways. And, lastly, at the basis of the whole structure is the land. Less of the national income must go to rent, profit and interest, if more is to go to wages. By no simpler means than these (combined, of course, with higher direct taxation) can the end be attained. But to plan these measures on paper is a vain exercise worthy of a Laputan Academy of Projectors, unless we prepare ourselves, as we scheme, for the reality of the class struggle. To retain the "third nettle" we must have won victory in a gigantic struggle for power.

A NOTE ON BANKING.

For a full and very able statement of the ideas which underlie this chapter, I would refer the reader to *Stabilisation*, by E. M. H. Lloyd (G. Allen and Unwin, 4s. 6d.). The quantity theory of money is the basis of any understanding of this question. The general level of prices depends on the relation between the total volume of "purchasing power" (coins, notes and bank deposits), and the goods and services on the market. If the volume of purchasing power is increased ("inflated"), while the total of goods remains unchanged, prices must rise. If purchasing power is decreased ("deflated"), while the goods remain unchanged, prices must fall. In the former case there is increased competition among buyers, in the latter case among sellers. (For a brilliant analysis of the theory, and of certain complications in its interpretation, see J. M. Keynes' *A Tract on Monetary Reform*.)

It is important to note that the greater part of our monetary circulation consists of bank deposits, including bankers' loans, transferable by cheque. These are about four and a half times the volume of currency. It is not generally realised that banks, when they give credit (i.e., authorise a customer to write cheques up to a certain amount), are actually creating purchasing power. They have discovered by experience that they may safely do this, so long as their cash reserves amount to one-tenth of the total volume of deposits. They thus earn interest on advances which represent no transference of their own capital to the borrower. This is, of course, one of the reasons which have led Socialists to demand the nationalisation of banking.

The relation of bank-credits to the trade cycle is roughly as follows :—Banks naturally tend, as money-lenders working for profit, to lend freely on good security, to manufacturers and traders. When

they expand credit, in advance of any increased output of goods, the value of money falls in relation to goods, i.e., prices rise. This is characteristic of the boom period. Optimism reigns; profits are high; businesses are expanded, and there is work for all. But as prices rise, trading firms and householders must draw larger cheques, and the banks find their cash reserves depleted. The chief drain comes, however, only when wages, lagging behind prices, are at last raised, towards the height of the boom. This reduces the cash reserves to danger-point, and the volume of credit is restricted, and its price (the Bank Rate) is raised. Banks call in their advances or refuse to renew. Purchasing power is restricted, and prices must fall. The trader, to meet his liability to the bank, must sell his stocks, and since all are trying to realise, prices fall, and with them profits. Then the manufacturer "goes slow" and dismisses hands. The slump has set in; the streets are filled with the unemployed, and wages are lowered. Gradually, with lower prices and smaller wages bills, the drain on the bank diminishes: its cash reserves accumulate again, and eventually it feels it safe to expand credit once more. The Bank Rate is lowered; credit is given more freely, and trade slowly revives.

Plainly, if bankers reversed their practice, and restricted credit very slightly at the first sign of a boom, and expanded credit, again very slightly, at the first symptoms of depression, the general price level would remain steady, and no serious cyclical fluctuations in employment would occur.

The return to the gold standard has made the adoption of a rational credit policy very much more difficult. It is, however, still possible, with a "managed" gold currency, but only if joint international action is arranged between the chief national banks of issue. But gold is a costly and unnecessary complication. The ideal scientific currency would make the pound a unit which would always purchase the same quantity, not of gold, but of a large number of assorted commodities in common use. In other words, it should be based on an index of prices, so that the average marketing value of the pound, for general purposes, would always be the same.

The long period of deflation, between 1920 and 1925, has brought about a colossal re-distribution of wealth, to the advantage of the investing class. When the War Debt was incurred, each pound that subscribers lent to the Government was worth an average of 15s. Each of these pounds is now worth 20s., and a sum which cannot fall far short of £2,000 millions has thus been added to the wealth of these investors. Since the seizure of the Church lands under the Tudors, and the theft of the commons, there has been no robbery so vast and impudent as this.

CHAPTER XI.

The Socialist Road to Peace

An earlier chapter traced the connection between the capitalist system and the modern forms of the problem of war and armaments. One can understand economic Imperialism at the ends of the earth, only when one realises that the over-rapid accumulation of capital in industrial countries drives its owners to seek continually for distant "places in the sun," in which they may invest. By exporting their surplus capital they check the tendency of interest to fall at home. In these new fields of exploitation they find backward populations, which neither Trade Unions nor Factory Acts protect. There is a perpetual struggle among rival national groups of capitalists to monopolise distant sources of raw materials. Each group drags in its wake the diplomacy of the Home Country to protect its investments, to back it in its dealings with native governments, and to support it in its rivalry with the capital of other Powers. In this process of State-aided expansion, the race of armaments which preceded the great war had, in the main, its origin.

Liberal influences among the victors in the war sought a cure for militarism in the League of Nations. One may give many reasons for the disappointment which followed. The League is a partial and one-sided creation. Its Liberalism is a mere excrescence upon the militarism and brutality of the Peace Treaties. In many respects its constitution and Covenant stand in need of radical amendment.[1] But

[1] My own views on this subject are still substantially those outlined in my book, *A League of Nations.*

even if the Treaties were revised, even if an all-embracing League were to repair the deficiencies of its early constitution, there would still remain a gaping omission in the whole conception. Let us assume that the League will one day make arbitration compulsory : let us even assume that it will eventually carry out sincerely a policy of partial disarmament. The economic motives for imperial expansion would remain as potent as they were in 1914.

The League was the work of political thinkers who had no perception of the power of economic forces and economic motives in the modern world. It is an attempt to frame an international society on a purely political foundation. These statesmen drew frontiers. They erected new States. They set up courts, and they hoped (however vainly) to regulate the competition of armies, navies and air fleets. But over the activities of commerce and industry and banking, the sinking of oil-wells, the building of railways, the policies of world-wide trusts—over the concerns in which most men spend the greater part of their daily energies—over these the creators of the League proposed no international control whatever.

If Socialist, rather than Liberal, thinking had inspired the League at its creation, this gravest of all possible omissions would have been made good. So long as the League remains a purely political organisation, it will seem to men to be an austere and unfriendly organisation which forbids and coerces, a glorified super-national judge, a world-wide system of police. But it will rarely call forth men's gratitude or evoke a sense of loyalty. Our ambition was rather to build the League upon a system not of "sanctions," but of benefits. If we can make it the supreme regulating factor in the international economic life of

peoples, it will penetrate the whole fabric of our daily existence, and become so necessary to us that no State could survive without it. It will follow that no State could dream of defying it. The more it is able to confer economic benefits upon the world, the less will it need to coerce. That men should look literally to the League for their daily bread—that has been from the first our conception of its function. If we have to look to it for the stability of our currencies and the supply of our raw materials, it will need no armaments and no police.[2] For no modern State would be able to thrive outside it.

THE proposal which the British Labour movement made, when the formation of the League was under discussion, was that it should continue to regulate for the whole world the international supply of raw materials, as each group of belligerents had done within itself while the war lasted. To this proposal it is now obvious that we must add another: the League should be the international authority which links up the national banks, and carries out on an international scale the policy of stabilising prices by the regulation of credit. In an earlier chapter I have sketched our proposals for placing the importation of the chief raw materials and foodstuffs in the hands of national Corporations. By building up reserves, and making long-term contracts, these Corporations could keep the prices of wheat, meat, and wool steady in the home market. The Bank of England could at the same time, by varying the price and volume of credit,

[2] A small international naval police may be necessary to prevent piracy, and to protect narrow straits and the Suez and Panama Canals.

preserve the general level of prices from any wide fluctuations.

Both these tasks would be eased, if international organisations could be created under the League with the same ends in view. What was done during the war to ration the supply of raw materials to the Allies should now be attempted for the benefit of all the members of the League. If the International Coal Commission had continued to function after the war, as it did during the war, we should have escaped (and Europe with us) many of the economic miseries which overtook us. Italy did, in fact, propose at the first sitting of the League's Assembly that it should organise the rationing of raw materials. The proposal was rejected, with Canada leading the Opposition. The boom was at its height, and the farmers of the producing countries imagined that the high prices then ruling would be permanent. They have lived to regret their short sight.

The Genoa Conference also made proposals for international co-operation among the banks, but nothing has yet been done to give effect to its resolutions. Any organisation of this kind would have to be advisory only at the start, as even the Allied mechanism was during the war. Its influence, however, in protecting consuming countries from exploitation, and in guaranteeing steady prices to producers, would be so immense and so beneficent, that a short experience would probably suffice to ensure its permanence. A League which performed this great service for civilisation would gain a title to the gratitude and also to the obedience of mankind, which pacts for mutual military aid will never give it.

But the purely economic gain is not the whole advantage of this arrangement. One of the chief

arguments for economic Imperialism would disappear, if the League ensured that each of its members should receive, at steady prices, its fair quota of the raw materials which it must import. It is the absence of any rationing authority which all but compels a Power which must import its coal, or its oil, or its iron-ore, to expand its territory in the hope of bringing oil-fields or coal-fields under its flag or within its sphere of influence. Military power has alloted the regions of the earth which bear coal and oil, cotton and wheat, to their present possessors. We may create what Leagues we will, we may flood the world with moral platitudes, but armies and navies will never become obsolete, so long as force can allocate the resources by which nations must live. The idea behind our rationing proposals is to make it henceforward a matter of indifference, from the economic standpoint, to us and to others, whether British aeroplanes circle over the oilfield of Mosul and the cotton-fields of the Sudan.

There remains the problem of the export of capital, and the relation of the holders and seekers of concessions to such States as China, Turkey, and Persia. If they continue to expect and receive the support of the mother State in their dealings with these Governments, we shall never make an end of imperialism and militarism. Always the motive to "penetrate" will be present. Always the temptation to mark out "a sphere of influence" will attract an ambitious statesman. In time of disorder and civil war, as in China to-day, we shall patronise for our own ends our "Christian General"—the only man whose troops (such is the power of the Gospel) would use the bayonet[3]; the Japanese will seek out their super-brigand among the struggling soldiers, and Russia will find her "red"

[3] Since this was written, the "Christian General" has turned "red idealist."

idealist. Intervention is the next stage, and partition the last.

What is the solution? We might, of course, tell our capitalists that they must trade and build and play the usurer at their own risk. We might invite other Powers to join us in a self-denying ordinance. But a rule of non-intervention is not easy to observe when a native potentate takes to drink, or differs acutely with a foreign usurer about his debts. There is, however, a proposal which might remove the chief difficulty. It is that all foreign companies operating in countries whose conditions involve exceptional risk, should have a right of appeal from the native Court to the Courts of the League. The League would have to keep a register of such companies: the fact of registry would confer "legal personality" upon them. If a British Bank thought itself wronged by a Chinese Governor or a Chinese Court, it would then appeal direct to the Hague Court, instead of carrying its grievance to our Embassy or to Downing Street. To avoid delay and expense it might be necessary for the Hague Court to set up subordinate Courts under its direction in the chief areas of conflict and exploitation. The proposal may seem to offend such a country as China by lowering her status. In fact, it would save her from most of the risks of intervention. It cuts imperialism at its roots, and carries us a step farther towards making navies obsolete. When the fleet ceases to serve the ends of capital invested abroad, even the City will turn pacifist.

ONE may seem Utopian in proposing tasks for a League of Nations which is as yet only a timid irrelevance amid the aims and ambitions of the capitalist Powers. And yet I am certain that we must find

the courage to say of the League what Mirabeau said of the Third Estate: "It was nothing; it must be everything." Our civilisation has reached a point in its international development at which it cannot halt.

I go on, then, to suggest a still more drastic method for uprooting the jealousies to which imperialism gives rise. I use that word, of course, only of the Colonies which for a long time to come cannot be self-governing. I assume that India will ultimately enjoy full Dominion status. I assume that sooner or later we shall be ashamed of our refusal to submit to the League our disputes with "independent" Egypt. There remains the problem of tropical Africa, British, French, Belgian, and Portuguese, and that of some similar territories elsewhere. One may imagine an indefinite advance in education and economic organisation, which will raise the whole level of native life, and make an end of the oppressions by white settlers which mar certain of these Colonies, notably Kenya.[4] But will a great people like the Germans always be content to be excluded from the work of colonisation? Will all Europe and America always consent to leave the tropics in British and French possession? Even with

[4] I do not venture, since I have no first-hand knowledge of tropical Africa, to attempt a sketch of a Socialist policy in detail. All of us agree, however, in approving the policy followed in British West Africa. The first essential is to respect the traditional native system of land-tenure, which vests ownership in the tribe. On this basis a thriving native agriculture can be built up, with the aid of the Colonial Government. When tropical produce is imported by a National Board of Supply, the next step would be to create in the Colony an agency, under the Colonial administration, for the collection of the produce raised for export. Railways, banks and mines might be socialised. I do not know what solution Socialists should advocate, where (as in Kenya) European settlers have already appropriated the best arable land, and built up a plantation system. The possibility of socialising these plantations would have to be studied, but long before we ventured on an experiment so bold as this, we should enforce better labour conditions.

the international rationing of raw materials, this seems to me in the long run improbable.

DURING the war the British Labour Party made a tentative proposal for the transfer of tropical Africa (excluding, that is, South Africa, the Mediterranean Colonies and Egypt) to the direct administration of the League. Critics at once pointed out the difficulties. Every Colonial service has its own traditions, which for good and evil reflect the national character. A mixed international service would have no traditions, or rather a medley of incompatible traditions. National pride may keep an average man straight amid temptations to cruelty or corruption. Would he keep this pride if he worked for Geneva? Would he serve happily under a superior of another race? The answer at present is certainly, No. And yet, if we mean to advance, we must face this human problem of international co-operation.

The key to the solution of this riddle lies, I believe, in education. One organisation in history solved it, the Society of Jesus. Jesuits, because they are trained together in a common doctrine, have managed, whatever their race and language, to work together. They successfully administered in the seventeenth century their wonderful half-communist colony of Paraguay. There may be a lesson for us in this precedent. Suppose that the League were to create, say in Cairo, a college for the education of African administrators. The staff should be drawn from anthropologists, linguists, and experienced administrators of all nations. The students would be drawn, proportionately, from England, France, Germany and the rest of Europe. If they lived and worked together for three or four years in that half-European, half-African city, always

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with the common task in mind, and always in sight of the tribes they would have to care for, would they acquire a common tradition? Under inspiring teachers I believe they would. The question is really whether our gospel of humane aspiration and Socialist ethics can inspire young men for such a work, as the Jesuits, with their dogmatic faith, inspired their pupils.

With our corps of future administrators trained in this way, the rest would be easy. Year by year the graduates would be sent out, irrespective of nationality, to fill each vacancy as it arose in British, French and other dependencies. In less than twenty years the whole government of tropical Africa would, in fact, be carried on by an international civil service, and it might then, without disturbance or shock, be transferred to the direct administration of the League.

CHAPTER XII.

Socialism and Human Nature.

THERE probably lurks in the minds of some readers who have followed the argument of these chapters with a measure of sympathy, an objection which always emerges in discussions on Socialism. Are we not placing too heavy a strain on human nature? Is it possible, without the stimulus of profit, to carry on the world's work efficiently and progressively? The number of people who have a direct personal interest in opposing Socialism is not relatively large. The opposition which really holds us back, comes from men and women who dread the adventure, and sum up their fears in the familiar objection that human nature is unfitted to manage a Socialist system of industry. As Mr. Baldwin put it the other day: "Men are not yet good enough for a State like that."

I confess that this objection always bewilders me. My first reply is that human nature is not nearly good enough to manage the present individualistic system. That was invariably the reply of our ancestors to romantic people who argued for autocracy or aristocracy in the government of the State. One might be willing to entrust one's country to the ideal philosopher king, but how often in ten centuries would he emerge? Private enterprise means autocracy, in one measure or another, in the management of industry. To us it seems that average humanity is not nearly good enough or wise enough for the powers which the directors of great businesses and banks arrogate to themselves at present. It requires a lot of wisdom to decide when the needs of industry are best served

by the lowering or raising of the bank rate. It requires a great deal of virtue to import the nation's meat from Argentine, when a variation of a farthing a pound in its price may bring you wealth untold. The arrangements by which a coal owner, a banker, and a food importer are responsible only to other persons who have the same interest in scarcity and high prices, seem to us to involve a fantastic faith in human nature. A democrat does not argue that the common run of citizens are abler or more virtuous than aristocrats and kings. He does argue that they will on the whole safeguard their interests by their votes. It is precisely the same reasoning which leads us to demand that the interests of the masses of producers and consumers shall directly govern the conduct of mines and railways and banks.

The reader, at this stage, may object that I am missing the point of his criticism. The point is rather that without this spur of *unlimited personal* gain, men of conspicuous ability will not be stimulated to put forth all their powers. The man who organises a Trust, or puts a new invention on the market, may take a distressing part of the proceeds for himself, but the rest of us are none the less gainers by his enterprise. It might be wise to wink at his excessive gains, if the alternative were that no one would bestir himself to achieve industrial progress.

I have underlined the words *unlimited, personal* gain, for both are necessary to the argument. A man who works for the common good without hope of financial reward, does reap a precious form of *impersonal* gain. He watches the growth and success of the institution for which he is responsible. He is a prouder and happier man because it thrives, and he commonly earns not only the approval of his own con-

science, but the gratitude of his fellows. Promotion and honours in a well-organised society are his just reward. Promotion will usually mean a higher income, but not the *unlimited* gain which success in Capitalist enterprise may offer.

THIS is, I believe, the only kind of gain and reward open to the immense majority of men who do responsible work to-day. Civil servants are, of course, in this case, and so are soldiers and sailors, and teachers of every grade, from the elementary school to the university. No social historian, I think, would dispute that during the last century public administration, whether national or municipal, education of all grades, and the fighting services, have advanced beyond all recognition. Compare our method of safeguarding public health, our schools, and our cruelly efficient warships in 1925 with those of 1825, and the contrast will be as startling as anything which you could find in capitalist industry. The pace of invention in all the fighting services is rapid enough to terrify most of us. All these advances have been made under the direction of men who worked for duty and the public good, or for such rewards as promotion in the service can bring.

Everyone must concede, of course, that pure science, from mathematics to biology, progresses entirely without the motive of gain. The business man shrugs his shoulders at this, and supposes that people who give themselves to pure science are a peculiar species. But applied science also has made some of its most remarkable advances without the stimulus of profit. A line of discoverers from Liebig and Mendel to Professor Biffin have transformed the practice of agriculture.

Farmers have profited; seedsmen and makers of artificial manure have profited; but most of the discoverers were men who drew their University salaries and gave their inventions to mankind. The same thing is true of medicine and surgery. The stern discipline of the profession insists that a medical man who discovers a useful drug, a method of treatment or a new technique in surgery, shall instantly give the fruit of his labours to the whole world. His only reward is fame and a good conscience. It was not always so. As late as the sixteenth century a physician who believed that he had a remedy for a pestilence, would keep his secret until sovereign or city paid him a ransom for it.[1] Medicine under this mercenary system was the sport of quacks and cheats. It has advanced as the profit-making motive receded.

But to continue our analysis of the place of unlimited gain in society and industry: which of us does in fact enjoy this prospect? The entire mass of organised Labour stands outside it. For the root-principle of Trade Unionism is the standard wage. Every loyal unionist works under a system which teaches each member to subordinate his gain and his interest to that of the whole body of his fellows in his industry or craft. Nor do the men who carry on most of the active directing work of modern large-scale industry differ in essentials from civil servants. The salaried manager enjoys a fixed reward. His salary may be rather higher, and his chances of rapid promotion rather better than in the Civil Service, but his spur

[1] In the *Fugger News Letters* there is an account under the date 1576 of a physician in Venice, who claimed to have a cure for the plague, and kept it to himself until the Republic paid him for it "30,000 ducats and as many gold zechines," with 300 ducats a month for himself and his heirs for ever.

is not unlimited gain. That comes only to the director who owns a large block of shares in a great company. The number of people who can be swayed by this motive must be ridiculously small, and most of them are to be found not in productive industry at all, but in commerce and finance. They are not the people who create wealth, but rather those who manipulate it and amass it.

Indeed, I am sometimes disposed to think that the picture of the genuine captain of industry, as a man who works solely, or mainly, for profit, calumniates human nature. It is often the artist's pleasure in creating, his joy in exercising a talent for organising on a great scale, which inspires the best of these men. One of the ablest of them, the late Walther Rathenau, the head of the German Electrical Trust, has given in his books a convincing account of the psychology of the industrial organiser on these lines. What plainly was true of him (for he worked with zeal and success for his country, without profit, during the war) may not be true of many of his fellows, but it is true of some of them in all countries. Such men oppose Socialism, not so much because it would end their profits and lessen their wealth, as because they fear that it would limit their scope for creative work. That on their part is a misunderstanding. The expert directors at the head of a socialised bank or industrial corporation will not be autocrats: they will have to explain and defend their proposals before competent and critical bodies of their fellows; but for leadership and creative imagination they will enjoy a scope which few trust-magnates possess to-day. It is not the creative but the acquisitive mind which needs the stimulus of profit.

WHAT, then, is the motive on which Socialists rely for the efficient and progressive conduct of industry? The usual answer is summed up in the word "service." This word stands in need of some interpretation. It suggests a difficult and conscious form of virtue. It may seem to imply self-abnegation, and to place the "servant" outside the society which he serves. In that sense "service" is an inspiring motive more often in personal relations than in productive work; many women and some men are governed by it in their dealings with each other. But is it a conscious ideal of service which usually inspires a craftsman, or an industrial manager, to do good work? Must the carpenter think all the while of the unknown customer who will use the table he is making, or the manager of an engineering works of the farmers who will use his motor-ploughs? Most of us, I believe, are moved by a simpler motive. Self-respect counts for much: we feel degraded in doing careless or inferior work. Better still, the idea of the thing to be created inspires us, and this is true, I believe, not merely of artists, but also of people who would never use exalted language to describe their motives and feelings — farmers, housewives, builders, works' managers, and every honest workman. Many men, again, will say that their motive in working steadily and well is the desire for the comfort and security of themselves and their families.

These three motives—self-respect, the creative impulse, and the desire for security and comfort—ought not to be in conflict with each other, and life in a well-ordered society is so arranged that by following them we usually promote the well-being of our neighbours. A society which gives scope to these three motives will be well served by its citizens, even

if no conscious thought of sacrifice or service inspires them. A Socialist society need require no virtue in its citizens more difficult than those which normal men exercise every day. By nature and training we are social beings. Our sympathies and our vanities, our needs and our creative impulses, all imply a society in which we must realise ourselves. When a child learns to repress its naïve selfishness and laziness, it begins to drink in, unconsciously or half-consciously, the elementary lesson, which is the basis of all social life, of its dependence on the community. But it is only the crude, animal self which it need repress; it finds itself again in the life which it leads among its fellows in the pursuit of common ends. The conclusion which we draw with full consciousness in manhood, that we can find our happiness only in a prosperous and well-ordered community, exacts from us no difficult and sacrificial virtue. If we are contributing in honest work our part to the common pool, we have the right to expect "comfort and security" in return. If we are producing and creating, we do well to exact from society conditions which satisfy our self-respect. "Service" (if we must use this word) ought to mean the satisfaction of ourselves, and in a well-ordered society it would hardly occur to us that the two motives could be in conflict.

They are, of course, in raging and flagrant conflict to-day, in a society which denies security and comfort to multitudes of conscientious workers, and squanders wealth upon men who have contributed nothing by their own exertions to the common pool. In a society which is openly immoral in most of its economic arrangements, it is not easy for the individual to lead a moral life. The amazing thing, indeed, is that many men and a still larger number of women do contrive to

lead good lives, under conditions which perpetually invite us to rob society—for every man who lives without working [2] is a robber.

So far from admitting that we are demanding anything difficult from human nature, we believe that we are going to restore conditions under which it will manage to be itself, and to lead a good life, with much less effort and much less straining after conscious virtue than the normal man must exert to-day. A rational system of education, based on the co-operative ideal, should in itself make good citizens. But school must be a training in team work, both manual and intellectual. If a Socialist society lays its foundations well, in the first twenty years of life, in schools and colleges which have banished class and realised the social ideal within their own walls, it will have little trouble with "human nature."

SOCIALISM, none the less, does mean a new challenge to human nature, a call to us to adapt ourselves, and to fit ourselves for a new and progressive society. There commonly lies under the objection that Socialism violates human nature, the assumption that human nature itself is unchanging and fixed. There are few popular errors so grotesque as this. Every boy at school knows that our physical frame was shaped and evolved by the response of life to changing conditions. If history were intelligently taught, the same schoolboy would realise as clearly that the mind of man has undergone an evolution no less wonderful. Change the outward social conditions, and the mind

[2] The busy man whose activities consist in filching trade from his competitors is not in this sense a worker.

of man, his response to different motives, his morals, his attitude to society, his "human nature" will change, as certainly as his ape-like body changed, when he ceased to live in trees and took to hunting on the ground. We change with our tools, with our houses, with the organisation of our work. Every student of history knows that the slow transition from flints to electric dynamos, from cave-dwellings to sky-scrapers, from hunting to capitalist industry, has profoundly modified "human nature"; it is only in the heat of political discussion that we forget it.

This book opened with a sketch, drawn from life in Turkey and Russia, of "human nature" as it was, before capitalism transformed it and taught it our modern notions of order, punctuality, honesty and co-operative work. My purpose in that sketch was to remind the reader how brief the world's experience of capitalism has been. Date its beginning when you will, from the new individualism of the Protestant Reformation, or from the general adoption of steam-power; it covers only a few centuries in the life history of man. How long "human nature" has been in forming, no one can certainly say—it may be half a million years. But this one may confidently assert, that the formation of our present-day capitalist notions of property was a brief episode. The probability is, that during the greater part of this unimaginable stretch of time, man lived and progressed under institutions which were more rigidly communistic than any Bolshevik constitution. All the great inventions which are the basis of civilisation—the primary tools, the tilling of the soil, the making of pottery, the first navigable boats, the working of metal, and the beginning of writing—were probably made under one phase or another of primitive communism. Scholars

who have studied the tribes of the South Seas, who are still living in the Stone Age, have described their notions of property for us. They will talk of "our spear" or "our club"; no one would say "my spear." Land belongs either to the clan or to large groups of relatives.

Dr. Rivers describes how on a voyage in the Pacific, he spent his time in questioning his native fellow-passengers about their institutions. At length they retorted by questioning him: what would he do with a sovereign if he earned one? Would he share it with his parents and brothers and sisters? When he confessed that he would not usually do so, they "found his reply so amusing that it was long before they left off laughing." African travellers tell us that the people of Uganda were at first unable to comprehend the sale of land. Land was for them so inevitably a common possession, that to talk of selling it sounded at first ridiculous: on further study the notion seemed to them (as, indeed, it is) immoral. Through this phase our own forefathers passed. Indeed, one can hardly say that our modern conceptions of property became general, until interest was legalised, and until the common land of the English village was broken up. "Human nature," in short, so far from being spontaneously and inevitably capitalistic, adjusted itself to these notions of property only the other day.[3] Private property in land, when one takes a long view of human history, appears as the thing it is, a rash and recent innovation.

[3] It may be worth while to quote from Froude's *History of England* (Vol 1, p. 89) his picture of the Sixteenth Century: "We have seen a state of things in which the principles of political economy were, consciously or unconsciously, contradicted; where an attempt, more or less successful, was made to bring the production and distribution of wealth under the moral rule of Right or Wrong: and where those

Our summons to human nature to face the adventure of a new advance implies, then, no absolute break with the past. The capitalist system contains in itself the principle which is destined to supersede it. It began with unlimited competition; it ends with monopoly and combination. It preached a doctrine of ruthless individualism, yet it taught men to co-operate, to the rhythm of its steam-engines, more intimately than ever before in the world's long history. The cruel discipline of the industrial age was necessary and even salutary. It has bred in the workers a consciousness of their unity and their claims as the producing class. It has fostered science and forged the machines which, with better social organisation, may bring to us all a higher level of comfort and leisure. It has smashed traditions and broken the enslaving loyalties of the old world, and we have learned, even in our struggle against it, a respect for the liberty and the dignity of the individual, which that old world never knew. A Socialist society will retain the moral and intellectual gains of the individualistic period, while it restores the deeply-rooted belief of mankind that the wealth which common effort creates, is a pool which belongs to us all.

We believe that the change which we advocate is an inevitable step in the destined march of history. Our hope is to accomplish it without violence or bloodshed. It is not our action which may hurry society into catas-

laws of supply and demand, which we are now taught to regard as immutable ordinances of nature, were absorbed or superseded by a higher code. . . . It is not uncheering to look upon a time when the nation was in a normal condition of militancy against social injustice. . . . To the question, if ever it was asked, May I not do what I will with my own? there was the brief answer, No man may do what is wrong, either with that which is his own, or with that which is another's."

trophe—the danger lies in the obstructive delays of men and parties, who will not read the signs of the times. When, year after year, miners and engineers must scan the horizon without hope, when the figure of a million unemployed becomes a normal fact of daily life, when the industries which are the basis of our national wealth must confess themselves unable to pay a living wage—then, at length, the capitalist system admits its bankruptcy. Its evident collapse is a summons to Socialists to act with sincerity and resolution. It is not enough to oppose violence. We can prevent it and frustrate it, only if our own energy and determination give to our peaceful methods an impetus which carries us through crisis to fundamental change.

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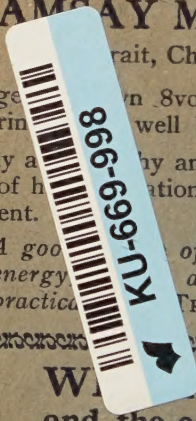

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